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CIS

INTERNATIONAL NARCOTICS TRAFFICKING

HEARINGS
BEFORE THE
PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS
OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
NINETY-SEVENTH CONGRESS
FIRST SESSION

NOVEMBER 10, 12, 13, 17, AND 18, 1981

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
88-539 O WASHINGTON : 1981

S401-15

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INTERNATIONAL NARCOTICS TRAFFICKING

TUESDAY, NOVEMBER 10, 1981

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to call, in room 3302, Dirksen Senate Office Building, under authority of Senate Resolution 361, dated March 5, 1980, Hon. William V. Roth, Jr. (chairman) presiding.

Members of the subcommittee present: William V. Roth, Jr., Republican, Delaware; William S. Cohen, Republican, Maine; Warren B. Rudman, Republican, New Hampshire; Lawton Chiles, Democrat, Florida; Sam Nunn, Democrat, Georgia; and Jim Sasser, Democrat, Tennessee.

Members of the professional staff present: S. Cass Weiland, chief counsel; Michael Eberhardt, deputy chief counsel; Marty Steinberg, chief counsel to the minority; and Katherine Bidden, chief clerk.

[Senator present at commencement of hearing: Senator Roth.]

Senator ROTH. The subcommittee will be in order.

[The letter of authority follows:]

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on International Narcotics Trafficking on Tuesday, November 10; Thursday, November 12; Friday, November 13; Tuesday, November 17; and Wednesday, November 18, 1981.

WILLIAM V. ROTH, JR.,
Chairman.

SAM NUNN,
Ranking Minority Member.

Senator ROTH. Today the Permanent Subcommittee on Investigations opens several days of comprehensive hearings on international narcotics trafficking and our Nation's war on drugs. Frankly, it is a war that I fear we are losing.

The enemy we face, the enemy that our law enforcement people and many American families contend with every day, is organized, sophisticated, well financed, well equipped, and becoming bolder every day.

I would just point out that this is estimated to be an illegal $80 billion business.

[At this point Senator Rudman entered the hearing room.]

Senator ROTH. There are estimates of as many as 30 million users of marihuana, something like 15 million users of cocaine, 2 million of heroin. The problem is with us every day and is increasingly clear. We have an incredible case referred to in the Washington Post today where it is pointed out that 500 pounds of cocaine with an estimated street value of $125 million was seized in seven duffel bags aboard a twin-engine Piper Cheyenne plane that landed in the driveway of a private home in Mossy Head, Fla.

Well, this subcommittee, of course, has a long record of being concerned and involved in these inquiries. I shall not read into the record a total review, but it will be incorporated as if read.

[The record referred to follows:]

Our current investigation of this problem began under the chairmanship of Senator Nunn last year and has been pursued by both staffs for the last several months. It is consistent with the subcommittee's long record of such inquiries.

Narcotics trafficking and its impact on American life has been a subject of particular interest to this subcommittee for almost two decades. In 1963, as a result partially of the testimony of Mafia figure Joseph Valachi the year before, the subcommittee conducted a wide-ranging investigation of international trafficking in narcotics. It traced the path of heroin from the poppy growing areas of the Middle East through clandestine laboratories in the Mediterranean area to thousands of addicts in this country.

One result of that inquiry and others was the enactment of the Narcotics Rehabilitation Act of 1966.

From time to time since the 1960s, the subcommittee has examined the narcotics problems from various viewpoints. Its most recent previous inquiries took place in 1978 and 1979, when, under Senator Nunn's leadership, the subcommittee investigated organized crime in South Florida and narcotics profits.

Then, much of the crime in South Florida was narcotics-related. So is it today. In fact, drug smuggling has been described as the fastest growing industry in that State.

But this is an industry with world-wide connections that spreads its poison everywhere and, like any uncontrolled disease, infects many areas of American life.

The narcotics industry strains every law enforcement resource we have—from the headquarters of federal enforcement agencies in Washington to sheriff's offices across the country.

Chairman ROTH. The most recent previous inquiry took place in 1978 and 1979 when, under Senator Nunn's leadership, the subcommittee investigated organized crime in south Florida and narcotics profits. Then much of the crime in south Florida was narcotics related. Well, so is it today. In fact, drug smuggling has been described as the fastest growing industry in that State. It is not limited to that area. This is an industry with worldwide connections that spreads its poison everywhere and, like any uncontrolled disease, it infects many areas of American life. The narcotic illegal industry strains every law enforcement resource we have from the headquarters of Federal enforcement agencies in Washington to sheriffs' offices across the country.

It is an industry wealthy enough to buy huge blocks of land for airstrips, warehouses, sophisticated aircraft, some of the fastest boats afloat. It is so lucrative that traffickers can afford to sink vessels to avoid capture, to permit the seizure of cargoes of drugs, and to abandon planes and vehicles once they have been used a single time.

It is an industry whose couriers are so brazen that they take tens of thousands of dollars at a time to the bank in a paper sack for deposit. Drug money couriers fly out of the country with suitcases stuffed with large amounts of cash. That money is laundered offshore, then brought back through intricate schemes to be reinvested in more illegal drugs or in legitimate businesses creating unfair competition to honest business people and, frankly, creating economic havoc.

Narcotics is an industry that unfortunately feeds on a growing American acceptance of drugs, not just by the street addict, but by high levels of our society.

Ten years ago we faced a heroin epidemic in this country. Then marihuana began to become more widely accepted and remains so today. But tastes are changing. Only 3 weeks ago, a front page headline in the Washington Post proclaimed that cocaine, once the drug choice of the wealthy, is now the drug of choice of most drug-using Americans.

Just as our subcommittee investigators traced the movement of heroin from the Middle East to the United States in the sixties, our investigators have tracked the path of cocaine and other drugs from South America and Asia to this country. They will give their reports during these hearings.

We will hear from convicted narcotic traffickers who are willing to explain how they carried on their massive operations, how they were able for so long to elude the enforcement net, and how they weigh the relative effectiveness of U.S. law enforcement agencies.

The war on drugs must be fought at many levels. It is a war to be fought not just by DEA or Customs or the Coast Guard or just in the courts. It requires both the mobilization of public opinion and the firm resolve of top Government officials at every level that we can and we must move forward.

One of the most important parts of this problem, I think, is public education, the problems of educating our young, the parents, and the public at large of the dangers of drugs. The acceptability is a national disgrace.

I would also say that an important problem is, What should be the role of the military in detecting and interdicting planes and ships carrying illegal drugs? Personally, I think we probably should send an AWAC to south Florida before we send one to Saudi Arabia because it is unbelievable that time and again, planes, big planes, DC–7's, are able to cross into the borders of this country undetected or not interdicted.

As I say, it is a national disgrace and a matter of grave concern because, very frankly, if these illegal drug traffickers can do it, why can't some terrorist with a bomb-ladened plane do the same thing?

So one of the questions we will be interested in is, What should be the role of the military in this area?

A major objective of these hearings is to have those who can speak with authority tell us what the administration is doing today in the war on drugs and what it plans to do in the future.

[At this point, Senator Sasser entered the hearing room.]

Chairman ROTH. We hope to learn what tools are lacking and must be designed if we are to turn this tide. This subcommittee under the leadership of Senator Nunn has been trying to provide a change in the law that will permit better cooperation or permit just cooperation between the IRS and our law enforcement officials.

We hope to learn how our diplomats intend to cope with the dilemma posed by countries that say we must wipe out our own marihuana crops if we expect them to eradicate their marihuana and cocaine fields.

We also would be interested in learning from the diplomats what they can do about this offshore banking that provides a means to launder the illicit profits made by the organizations involved in the trafficking of drugs. So we hope to learn what strategy the administration may have for overcoming the widening demand for illicit drugs in this country.

This concludes my remarks. I would like to call upon Senator Rudman for any remarks he may care to make.

Senator RUDMAN. Thank you, Mr. Chairman.

I don't have any opening remarks.

Chairman ROTH. Thank you.

Senator Sasser?

Senator SASSER. Thank you, Mr. Chairman.

I want first, Mr. Chairman, to commend both you and Senator Nunn for conducting these very timely and, I think, very important hearings. And I might say, Mr. Chairman, I find ironic that while our economy is heading into a deep recession and while more than 8 million people are out of work, we have a booming business and a booming economy in illegal drugs. We have drug runners earning $100,000 a year. We have criminals hiding up to $1 million cash in their homes until organized crime can find a way to bankroll their illicit profits and we have organized crime supplying bribe money on a routine basis to foreign governments in order to arrange for contrived jailbreaks for drug runners.

Now, it seems that is really reminiscent of Mission Impossible or an old James Bond movie. We find organized crime has fleets of airplanes and boats to bring vast amounts of illegal drugs into this country. And once here, they arrange for the landing of drugs on remote airstrips with drugs then transported to phony warehouses by convoys of vans, trucks, and chase cars. But why does all this occur?

One of the basic reasons is the enormous profit that can be made in illegal drugs. In Tampa, we find that one organized crime operation regularly bought Colombia marihuana at $60 per pound and then sold it for $300 per pound on the wholesale market for a wholesale profit to the company of some $48 million.

Another reason for the successful drug trade is that unfortunately, our Government, except for a few selective cases, does not have the resources to control the drug trade. Our witnesses today will indicate that it was always a relatively easy matter to bring drugs into this country. They were rarely intercepted by Customs agents and they had little trouble disposing of their currency in normal banking circles. And this is probably the most troubling aspect of today's hearing, is our inability or unwillingness to stem this lucrative and vicious drug trade.

Now, Mr. Chairman, there does appear to be a ray of hope. Mr. English's testimony about the Operation Gateway activities of the Justice Department show that something can be done with the proper tools to discourage this drug trade. If we use the Internal Revenue

Service in analyzing the tax returns of drug traffickers, we will put them behind bars. If we use appropriate conspiracy statutes, we can seize the assets of drug runners and organized crime figures that make their living off illicit drugs. If we make proper use of dangerous drug offender statutes, we can increase the prison sentences for these criminals.

Mr. Chairman, the war on drugs is never ending. The battle goes on day in and day out. It is a battle that we can ultimately lose unless we demonstrate a clear-cut resolve to use all the tools at our disposal to end this booming drug trade. And end it we must, because the drug trade and the drug trafficking is injecting a poison into our system, I think, which is exceedingly dangerous.

So I welcome these hearings and welcome the efforts of you, Mr. Chairman, and Senator Nunn so that this subcommittee can advance the appropriate legislation that I hope will help us lick this illicit drug traffic.

Thank you, Mr. Chairman.

Chairman Roth. Thank you, Senator Sasser, for your statement.

As our first witness this morning, I call forward Greg English of the Department of Justice and Len Tracy, a special agent with the IRS. They will discuss a recent case in which they were involved.

Gentlemen, in accordance with the rules of this subcommittee, you must testify under oath.

So will you please raise your right hand.

Do you swear that the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. English. I do.

Mr. Tracy. I do.

TESTIMONY OF GREG ENGLISH, TRIAL ATTORNEY, NARCOTICS DIVISION, U.S. DEPARTMENT OF JUSTICE, AND LEN TRACY, SPECIAL AGENT, IRS CRIMINAL INVESTIGATIONS DIVISION

Chairman Roth. Thank you. Please be seated, gentleman.

Mr. English. Thank you, sir.

My name is Greg English. I am a trial attorney with the Narcotic and Dangerous Drug Section of the Criminal Division of the U.S. Department of Justice. Approximately 2 years ago, I was sent by the Justice Department to the southern district of Illinois to the Office of the U.S. attorney in East St. Louis to help that office with the prosecution of cases arising out of what was called Operation Gateway. Operation Gateway was essentially a multiagency strike force aimed at attacking a drug trafficking organization which became known as The Company.

The members of the organization were convicted through the efforts of the Drug Enforcement Administration, the Internal Revenue Service—in what was a very unusual usage of Internal Revenue Service—with assistance as needed from Customs, the FBI, and from a great number of local and State law enforcement agencies.

I might add that one of the reasons I attribute to the success of this operation was the unprecedented cooperation of all of these agencies who were not concerned about publicity or their own self interest but selflessly devoted their time and efforts to a common goal of putting criminals in jail.

As a result of this investigation, we identified approximately 200 people who were affiliated to one degree or another with The Company. Approximately 70 of these people were targeted for prosecution. The remainder, for the most part were prosecuted by various States. Today 33 individuals have been convicted by Federal authorities in this investigation. A number of others have been prosecuted and convicted in State and local courts.

One corporation was also convicted of racketeering. Another 40 people, approximately, are currently under investigation. The 11 top members of this organization were named in a single indictment. They were charged with, among other things, operating a continuing criminal enterprise which is a racketeering statute aimed at the top managers of narcotics organizations. Of this 11, 8 have been convicted, and 3 currently are fugitives.

Operation Gateway caused the forfeiture of trafficker assets valued in excess of $3 million. I might add parenthetically, to my knowledge, this is one of the few times in American history that an operation of this sort appeared to net a profit. These assets included a $30,000 interest in a commercial restaurant which was the result of narcotics proceeds being invested, the forfeiture of two private airports which were used for drug smuggling, a Florida condominium which again was the investment of proceeds, several farms used as stash pads, numerous vehicles which were used in furtherance of the operation and, an airplane.

[At this point, Senator Nunn entered the hearing room.]

Mr. **English.** We had fines imposed of a total value of $106,000. The anticipated potential IRS tax liability is in excess of several million dollars. That is continuing under investigation.

The lead defendant in this enterprise, Marvin J. Zylstra, admitted to undercover agents having murdered two people by sabotaging their plane. One of those victims was an informant, another an innocent party. He was incarcerated for a term of 210 years. Another defendant received a term of 84 years.

The DEA case agent, Ed Irvin of the St. Louis District Office, received the Attorney General's Award for excellence in law enforcement for his direction of this investigation. Other people involved in the project received other awards.

In this case, we employed several relatively novel legal tools to immobilize this massive narcotics conspiracy. The case was originally developed by the Drug Enforcement Administration using its traditional methods. For example, when lower level people, who we call the "mules" in the trade, were caught with quantities of drugs, they were "flipped," which is a vernacular term for gaining their cooperation through imposing a lenient sentence upon them. Their testimony was used to identify the people who are higher up in their chain of command. It was necessary to corroborate the testimony of these people because ordinarily by the time they come to testify at the trial, they are convicted felons themselves and as such are subject to impeachment by the defense counsel for the higher trafficker.

In this case, we were fortunately able through a series of bureaucratic proceedings to get the Internal Revenue Service involved as an agent of the grand jury and as a member of our strike force, our mobile task force as it was called. IRS would do analysis of the net worth of many suspected traffickers and we would find, for example, that someone who declared an income of, say, $10,000 for the year, had actually spent $300,000 in that proceeding year. Thus, we were able to charge them with a tax count, but more significantly, this unexplained wealth was the basis for the jury to believe the assertions of the convicted felon.

In essence, the financial information corroborated our other witnesses so that evidence frequently would lead to the conviction of these people on the narcotics count.

Thus, by having a two-pronged attack upon these traffickers, and using our full Federal facilities, we were able to help eradicate this organization.

The financial information proved to be useful in many other ways. We were able to use the RICO conspiracy and continuing criminal enterprise statutes to seek the forfeiture of assets, many of which had been identified by the Internal Revenue Service. We were able to obtain restraining orders from the court after the indictment was returned but before trial to prevent the assets of the traffickers from being dissipated. We also included a sentence in the requested restraining order which said that the assets could not be used for paying legal fees or for the posting of bond. Thus, we were able to preserve the assets and eventually to have them forfeited.

With the financial information we had, we were able to persuade the trial judge to impose what we believed to be realistic bonds, which in this case ranged from $1 to $5 million in cash. The reason for their being in cash and not the ordinary 10 percent down or property bond or recognizance bond that are used so frequently in these cases is because we filed Nebbia motions. That was based on a relatively obscure Federal case of *United States* v. *Nebbia* which holds essentially that in the case of certain drug traffickers, the posting of bond derived from narcotics transactions lacks the moral surety that the defendant will appear in court. This means that they must pay cash for their bond.

We were able to file the request for a Nebbia hearing with the judge which was granted and which meant essentially that if the traffickers came into court with $5 million in cash, they would have to tell us where they got it. Since many of them were also charged with IRS violations, for obvious reasons they were reluctant to disclose this information. As a result, we were able to keep all of the traffickers, once apprehended, in jail, which is very unusual in narcotics cases, so they were there to meet justice.

As you know, this kind of discussion of what to do to reform the bail laws with regard to narcotics offenses has been under discussion in the Congress for some time.

Finally, we were able to use the financial information we had in conjunction with the other traditional drug-related information that DEA and the other agencies developed as a basis for filing special dangerous drug offender pleadings which would escalate the maximum penalty for a number of counts from 5 years to 25 years. This was useful in the event that any of the traffickers would have been acquitted on more major charges, for the judge would still have had the power to give a realistic sentence.

So I would say in conclusion that it was the cooperation of the Internal Revenue Service with DEA and the other Federal agencies and the other local and State agencies which resulted in what is believed to be the unparalleled success of that investigation.

In regard to the specifics of the investigation, I have with me Special Agent Len Tracy of the Internal Revenue Service who will be happy to answer any questions you might have about this investigation or how the traffickers involved were able to conceal their assets through a system of money laundering.

[At this point, Senator Rudman withdrew from the hearing room.]

Chairman ROTH. Thank you very much, Mr. English.

Let me congratulate you for your success in this endeavor.

As you know, one of the principal purposes of these hearings is to determine what additional tools people like yourself may need to be successful in future efforts to reduce drug trafficking. So one of my questions to you and to your colleague is what kind of legal or administrative problems did you run into in your investigation of The Company, what kind of problems did you run into in the prosecution? You spoke about and also wrote about the Nebbia motion—is that what you call it, Nebbia?

Mr. ENGLISH. Yes, sir.

Chairman ROTH. Motion, which I understand permits in limited areas for you to use cash bonds but it does not apply to all factual situations. I gather that one of the recommendations of the Justice Department is that the Federal bail legislation be reformed to require the use of cash bonds in other circumstances.

Mr. ENGLISH. Sir, I am not authorized to speak for the Department in that regard. There will be other witnesses later. But my personal view as the prosecutor in this case, is that one of the great reasons for the success we had was the ability to put the traffickers in jail and keep them there pending trial and not allowing them to escape, as happens all too frequently in narcotics cases.

Chairman ROTH. Now you also spoke about the cooperation between your department and other agencies, the IRS in particular. You say you were able to use much financial information that was helpful when you filed pleadings. What problems did you run into and what further changes in the law do you think are needed in this area?

Mr. ENGLISH. Well, sir, my personal view, based upon this experience, would be anything which could facilitate the prosecutor's getting the IRS involved in a case would be very helpful. In order to get the Internal Revenue Service involved in this case, we had to have them appointed agents of the grand jury to act in tandem with the other enforcement people, and that was a process that took a great deal of time. Approximately 6 months were spent in getting the requisite approvals from the IRS and from the Justice Department and going through the hurdles that are required.

We jokingly say in the trade that some of the financial privacy laws are dope dealers' relief legislation. Of course, that is a personal view of a prosecutor and I know that there were good reasons for those laws to be passed when they were. However, they make it very difficult to have the Internal Revenue Service agents be members of a team used to attack the assets of traffickers. Each of the Federal enforcement agencies has its own specialized area of expertise, and the more of them we can get involved in a team concept, the better off we are. And as a prosecutor, I tend not to care what we convict the traffickers of, whether it's a Customs offense, a currency offense, or Internal Revenue offense, as long as we put them in jail.

I am particularly partial to convictions under the continuing criminal enterprise statute which, by definition is limited only to top managers who supervise five people, because the minimum sentence for that is 10 years without parole up to a possibility of life without parole, and essentially the sentence that the defendant hears when it is announced is the sentence he gets because there is no parole. To me, as a prosecutor, that is a sentence that means something. If I can't get that, I will take any conviction I can get using the expertise of the Federal agents involved.

The goal of all of us in this effort, agents and prosecutors alike, is that we just want to put the criminals in jail and we are happy to use whatever tools the Congress gave us to do that.

Chairman **Roth**. The Chair intends to follow the 10-minute rule and the early bird rule as to order of questioning. I am not sure how much time I have used yet. Let me raise one more question before I complete this round.

Do you have any difficulties obtaining forfeitures under the so-called RICO statutes?

Mr. **English**. Yes, sir. There are several very real problems. One is the difference in forfeiture provisions between that and the continuing criminal enterprise statute. Under the RICO statute we are only entitled to take the instrumentalities of crime; for example, in this case, the airports and airplanes used to smuggle drugs. But we weren't able to take drug proceeds or the profits from the trade that had been taken and invested in legal businesses.

We can use the continuing criminal enterprise statute for that, but the scope of that statute is very limited. Typically there are very few people in a criminal organization who will qualify for treatment under CCE. They have to supervise five people, derive substantial income from their trade, and have to consummate three separate drug transactions. Whereas with RICO, an important specialist who made a lot of money working for The Company but only supervised four people would not qualify to have his assets derived from the trade forfeited.

In order to prevent assets being liquidated in this case prior to indictment, we had to initiate a civil proceeding under 21 U.S.C. 881, the so-called civil forfeiture section. It would be very useful, once again, from a prosecutor's point of view, from a personal point of view, if there was some way that upon a showing of probable cause, we could have assets frozen prior to indictment which might take a month or two longer.

Chairman **Roth**. I gather from your testimony and from what else we have heard, one of the principal purposes of those involved in drug trafficking is to launder the ill-gotten profits into legitimate business. So what you are saying is, that unless we modify these laws, it will be very difficult to secure forfeiture of legitimate businesses.

Mr. **English**. Sir, specifically the assets that are derived solely from the drug sale—it is relatively easy to get assets that are used in furtherance of trade. A change to make RICO more like CCE would be very useful to us in getting all the assets.

Chairman **Roth**. Senator Sasser.

Senator **Sasser**. Thank you, Mr. Chairman.

We are going to have three witnesses that are going to testify today, Mr. English, who were associated with The Company. Do you know whether or not they have testified since their convictions?

Mr. **English**. Yes, sir, they testified at either or both the grand jury and the trial.

Senator **Sasser**. Do you have reason to believe that these three witnesses are credible witnesses?

Mr. **English**. Yes, sir. To the extent our investigators were able, we investigated what they told us. Everything said has been corroborated. I have never known them to say anything that wasn't true.

Senator **Sasser**. Mr. Tracy, I believe you are from the Internal Revenue Service.

Mr. **Tracy**. Yes, Senator, that is correct.

Senator **Sasser**. I ask you if you agree with Mr. English's evaluation that these three witnesses are credible witnesses?

Mr. **Tracy**. Yes, sir, I do, definitely.

Senator **Sasser**. Now, Mr. Tracy, we have heard about the enormous amounts of money that this and other groups obtain from narcotics trafficking. Give us some idea of how these groups spend these enormous sums of money that they gain from selling narcotics.

Mr. **Tracy**. Senator, our investigation disclosed that particularly the upper echelon members of this organization enjoyed lifestyles that were extravagant, to say the least. Examples of some of the assets they acquired throughout this period included a fleet of aircraft and their own airports, luxury vehicles of almost all makes and types, a yacht with a helicopter pad on it, and I understand they did, at one time, have a helicopter they did land on it, luxurious homes, investments into legitimate enterprises, and the list could go on and on. If I had to characterize it, I would say they had more than enough money to do almost anything they wanted.

Senator **Sasser**. Did the group utilize any tax havens in foreign countries to try to safeguard their ill-gotten gains, launder money in foreign countries?

Mr. **Tracy**. Yes, sir, there were several occasions when individuals utilized foreign tax havens, particularly the Cayman Islands. To illustrate one of the examples we encountered, we prepared for you today a chart which is to my right, which represents a typical instance whereby an offshore tax haven country was utilized by this organization. Specifically, this chart represents a portion of the financial transactions involved in the purchase of the South Expressway Airport, outside of Atlanta, Ga., by members of The Company through a domestic shell corporation known as Intrastate Syndications, Inc.

Senator **Sasser**. What is the name of that airport?

Mr. **Tracy**. The South Expressway Airport.

Senator **Sasser**. Atlanta, Ga.?

Mr. **Tracy**. Actually in Jonesboro, Ga., in Clayton County, Ga. If I may refer your attention to the chart at my right, at step 1, we illustrate the illegal drug proceeds being physically transported out of the United States by courier to the Cayman Islands. A specialist in money washing was used to supervise the carrying of the funds out of the United States and the subsequent transactions within the islands.

Step 2, moving to the right corner, we have illustrated the depositing of the money into the Bank Intercontinental within the Cayman Islands, and at the same time, the formation of the Cayman Island shell corporation, known as CIE Limited.

Next, if I may refer your attention to the diagonal line——

Senator SASSER. If you will slow down, Mr. Tracy, I think the chairman is going to have somebody follow with the pointer there so we can follow it a little better.

Chairman ROTH. You might read—it is a little difficult from here to read—what the names are.

Mr. TRACY. I refer your attention to what is marked a $500,000 loan to Intrastate by CIE. That refers to a fictitious loan that we found reflected in the public records in Clayton County, Ga., showing a loan in that amount from CIE Ltd. to Intrastate Syndications with the South Expressway Airport being pledged as collateral for that loan. This transaction was merely a paper transaction, Senator. There was no actual exchange of money.

However, it served to conceal the true source of the investment proceeds into the airport and would legally tie the property up in the event of any seizure or forfeiture by the Government. When the IRS utilizes its net worth type of investigations, this would pose a similar problem in that our investigators would see a parcel of property that, in effect, appears to be worthless in that there would be liabilities that actually exceeded the equity.

Moving back to the right side of the chart where it says transfer of $169,000 to the Canadian Imperial Bank, we have illustrated here the transfer of funds within the Caymans from the Bank Intercontinental to the Canadian Imperial Bank, this is one more layer of insulation that they prefer to have.

Next——

Chairman ROTH. Could I just interrupt? My understanding is, when you put the money in that kind of a bank, that information is confidential. There is no way anyone can secure information as to who has deposited and how much?

Mr. TRACY. That is correct, Senator. What they were attempting to do in this case is that when they bring the money back into the country, there is sometimes a limited paper trail within the United States. By switching banks within the Cayman Islands, it further throws our investigators off.

Moving up the chart, where it says transfer to attorney's escrow account from the Canadian Imperial Bank, as I have indicated, the funds were then wire-transferred back to Atlanta, Ga., into an attorney's escrow account. Finally, a check was drawn from the attorney's escrow account to the seller of the property, thus finalizing the transaction.

From an investigator's standpoint, transactions like this pose significant problems in our attempt to trace the flow of illegal drug proceeds since the trail normally stops at the shores of the Cayman Islands due to their bank secrecy and corporate secrecy laws.

Senator SASSER. From a total standpoint, did you find that the currency reporting laws hindered this organization in its ability to move and conceal their money both within and outside the United States?

Mr. **Tracy.** Not really, Senator. We found that most of the members of this organization were fully aware of our currency reporting laws and easily managed to evade them. Domestically, they kept their transactions with banks below the $10,000 reporting limit or used fictitious identification to identify themself to any curious bank teller or bank employee.

Internationally, they would easily move their money clandestinely out of the United States without detection. We have examples of people that did nothing for The Company but simply carried funds around, on some occasions going from bank to bank purchasing cashier's checks, whatever, under the legal reporting requirement limit.

Senator **Sasser.** You alluded earlier to the fact that The Company had all sorts of equipment to move their drugs around. How many airplanes, trucks, and that sort of thing did The Company have during the period that was under investigation?

Mr. **Tracy.** Senator. I would have to estimate that. I would conservatively estimate during the period they would have at least 20 aircraft, probably hundreds of trucks. Primarily your smaller trucks, but they did have several 18-wheel tractor-trailer-type vehicles.

Senator **Sasser.** What type aircraft would they use?

Mr. **Tracy.** Anything from a Cessna Titan all the way up to a DC–7.

Senator **Sasser.** They would fly DC–7's into the United States?

Mr. **Tracy.** Yes, sir.

Senator **Sasser.** Where would they land those DC–7's?

Mr. **Tracy.** They had various landing sites throughout the United States, primarily in the Southeast. One of their major airports, however, was located in Monett, Mo. It was also a company-owned airport in an isolated area of Missouri where they were easily able to land.

Senator **Sasser.** They would bring the DC–7's in and take them back out, they wouldn't abandon them here?

Mr. **Tracy.** No, they would always attempt to bring the DC–7's out. In the event their project had to be aborted, they would occasionally abandon them. In at least one instance, they did abandon a DC–7, with the crew getting out safely.

Senator **Sasser.** Mr. Chairman, I think my time is expired.

Chairman **Roth.** Thank you, Senator Sasser.

Senator Nunn.

Senator **Nunn.** Mr. Chairman, thank you for holding these hearings. I think it is a very important subject. It is one our subcommittee has been working on for a long time but we have a long, long way to go in our Federal effort. I certainly congratulate you and the majority staff as well as the minority staff in working up these hearings.

Mr. Tracy, do you know how much relationship the United States has in terms of foreign aid and so forth with the Cayman Islands?

Mr. **Tracy.** No, sir, I do not.

Senator **Nunn.** Mr. Chairman, I think it might be helpful for our staff to prepare something for us that can be put in the record as to exactly what the relationship is. We may hear from witnesses later this week that could make reference to that, but my understanding is we have had no cooperation whatsoever in this drug area from the Cayman Islands. I think it is time for us to start using our full resources and our diplomatic leverage to really crack down on countries that have obviously benefited from the international narcotics traffic and, in fact, have turned it into a matter of great economic profit.

Chairman Roth. I would point out to the Senator that staff members have visited the Cayman Islands on this very important question of cooperation. I think you make an excellent point. We ought to have information as to how much aid or other assistance we may be giving that country and how that can be utilized to pursue our war against drugs. So I will ask the staff members who will be testifying later on their investigations to be sure to include that as part of their testimony.

Senator Nunn. We will be hearing in detail from some of the minority staff on Thursday of this week about various areas of possible cooperation and lack thereof in Southeast Asia. I think one of the major thrusts of these hearings we will have for the next 5 days, should center on this matter of international cooperation, and I think it will. I sense in Southeast Asia we have a real opportunity in breakthroughs there in international cooperation.

Because as I read and study the reports that have been made by our staff, it indicates to me they no longer view this simply as an American problem, but rather it is becoming an endemic problem in those nations. They are experiencing huge drug trafficking in their own nations, huge problems with addiction. The Malaysian Foreign Minister has said narcotics is the No. 1 enemy of the Malaysian people even before the Communist insurgency there.

So I think we have a real area of potential breakthrough in international cooperation. I think these hearings can serve that purpose.

Mr. Chairman, I would like for my whole statement to be put in the record. I did not get here in time for the opening statement.

Chairman Roth. Without objection.

OPENING STATEMENT OF SENATOR SAM NUNN

Senator Nunn. Mr. Chairman, I have a few brief remarks I would like to share with members of this subcommittee. The hearings which we begin this morning represent the conclusion of a detailed and extensive joint inquiry by the majority and minority staffs of this subcommittee on the problem of international narcotics trafficking. As ranking minority member, I have closely followed that investigation which has examined the narcotics situation in source producing and transshipment countries in both Southeast Asia and South America. I am aware that in both those regions common problems and issues exist which must be met and understood if any progress is to be made in our efforts against drug trafficking.

In both Southeast Asian and South American nations there is now a growing awareness at both the governmental and public levels of serious domestic addict and usage problems. The situation, in these countries no longer permits authorities to dismiss the narcotics issue as a distinctly American problem. Narcotics has, in many of these nations, reached epidemic proportions as far as addiction and drug abuse are concerned. As a result, governments which once merely gave lip service to international drug enforcement seem to be willing at last to become seriously involved in narcotics control.

The social, economic, and political realities of drug-growing countries in both Southeast Asia and South America make it difficult to stop trafficking at the source by preventing cultivation of the illicit crops. Most producing nations are poor, underdeveloped, struggling countries which present problems that are far too complex for a pure law enforcement approach alone to be effective in eliminating drug supplies. Suppression efforts have been hindered by longstanding and socially accepted traditions of smuggling and corruption. Testimony during the next few days will indicate that pilot projects substituting legitimate crops for illicit drugs require massive economic development that is both costly and long term. To date, the developed countries of the world have been unwilling to fund such high-risk ventures. Meanwhile, the enormous profits of drug trafficking continue to attract an ample number of entrepreneurs who see opportunities that far outweigh those offered by legitimate businesses.

Some of the questions that I hope that this subcommittee will seek to answer during these hearings include:

What priorities should be reflected in the Federal strategy against narcotics in the years ahead?

Based on previous experiences, what approaches in the areas of research, education, law enforcement, and international narcotics control offer the most promise for the future?

In both Southeast Asia and South America the United States has been the prime force in encouraging efforts to control illicit drug production. To further support those efforts, I have joined in sponsoring and endorsing significant law enforcement legislation in the Senate. Designed to bolster our resources in the war against drugs, that legislation includes:

An amendment to the Foreign Assistance Act, removing a prohibition on U.S. funding of herbicidal spraying of drug crops overseas;

An amendment to the tax cut bill which would have restored the Internal Revenue Service to an effective role in investigating major narcotics traffickers (that amendment, unfortunately, was dropped from the bill in conference);

An amendment to the Defense Department authorization bill which would permit U.S. armed services to give limited but important assistance to narcotics law enforcement agencies;

A bill allowing Federal judges to deny bail to persons charged with drug-related offenses where that person has a prior drug conviction, is a fugitive, is an illegal alien, or has a false passport.

I am optimistic that those legislative efforts will result in increased and needed support for American authorities in their efforts against drugs.

Although some progress has been made on the level of international narcotics enforcement, these hearings will unfortunately illustrate that we still have a long way to go in the struggle to effectively control narcotics trafficking. In light of that fact, the United States must analyze and reassess its foreign policy on drug matters. We should take a close look at what we have done, how much money we have spent, and what results we have achieved. We must adopt a firm and consistent commitment to combat the problem of narcotics on both the foreign and domestic levels. I am hopeful that these hearings will clarify and emphasize the real necessity for that commitment by exploring the narcotics situation in its international context.

Mr. English, you mentioned the Internal Revenue Service and Mr. Tracy I understand you are with the Internal Revenue Service.

Mr. Tracy. Yes, sir.

Senator Nunn. Could you give us a little more detail about the problems you had with the Internal Revenue Service in coordination and specifically whether those problems relate to the Tax Reform Act of 1976, which you alluded to and others have alluded to as the Organized Crime Relief Act of 1976?

Mr. English. Yes, sir. Essentially there are a number of requirements that have to be gone through in order to get the Internal Revenue Service involved in a case such as this, and what that involved was initially approving a tax case for prosecution against some of the major traffickers and going through the bureaucratic procedures that are necessary to make sure the prosecution is adequate, filtering through the layers of the Internal Revenue Service and, after that, through the Justice Department.

Once that is accomplished, we were able to have agents of the Internal Revenue Service appointed as agents of the grand jury. And once they were in the medium of agents of the grand jury, we also had DEA agents who were working for the grand jury in that respect and they were able to exchange certain information, and, in both cases, were authorized to give their information to the prosecutors and to the grand jury.

Senator Nunn. How long did it take you to get that step taken care of, getting the IRS agents appointed as agents of the grand jury?

Mr. English. It caused at least a 6-month delay. I might add there were some specific instances in this case where we would have liked to have used tax counts for people, but we were forced to go to trial, to make deals, to have them plead guilty early, for example, in order to prevent assets from being liquidated or to insure we had their cooperation to get other violators who we thought would be leaving the country. So in some instances, we passed up, because of logistics problems, the opportunity to have tax convictions on people. And that was a great loss to the U.S. Treasury because when people are convicted of tax evasion, there is a penalty provision under which the taxes they evaded are due immediately as well as a significant penalty. It is of great value to the IRS to have that sort of conviction when they proceed against the people civilly because under the rule of res judicata, the part that has been litigated and had a conviction creates a floor below which a judgment cannot go.

So it is very useful to have that tool available. In this particular case, the interests of the United States were threatened, financial interests, and benefits were lost because we were unable to file the tax case charges.

It wasn't that the people who work for these departments were unresponsive; it is just because there are certain procedures they are required to go through, procedures they had no control over, but which were very frustrating to us. In one particular example of a trafficker who will appear here today who is a bookkeeper, we had to delay his guilty plea for a period of some 3 months when we had a plea agreement for him to plead guilty to forfeit assets and cooperate against other people, simply because we didn't have the approval yet for him to plead guilty to a tax count.

The racketeering count had been approved.

Senator **Nunn**. Did not have approval from whom?

Mr. **English**. Through the channels from the Internal Revenue Service and the Justice Department because of those requirements that are imposed upon those respective departments.

Senator **Nunn**. Is it fair to say right now in order to get that kind of working relationship at the grand jury level that you first have to go up through the Justice Department and get approval in that direction and then come back through the Internal Revenue Service and get approval in Washington at that level and it has to filter back down to the working level and then it finally culminates at the grand jury level?

Mr. **English**. Yes, sir; two separate sets of procedures. Frankly, in a lot of lesser cases, when I was at the U.S. attorney's office in the southern district of Illinois, there were smaller drug cases involving 8 or 10 people where it just wasn't cost effective to involve IRS.

Senator **Nunn**. Just not worthwhile?

Mr. **English**. It wasn't, not because of a lack of enthusiasm or initiative, just because they were using their resources the best way they could and it was really impossible to operate under the time frame. I might add, frequently in drug cases, people are arrested after a seizure is made and because of the restraints of the Speedy Trial Act we have to go to trial very quickly and we could not get the approval of an added tax count to that within those time constraints.

Senator **Nunn**. Do you attribute these delays and this loss of revenue for the Government to the Tax Reform Act?

Mr. **English**. In my personal opinion, yes, sir.

Senator **Nunn**. Do you believe that that act should be changed and amended to reflect some commonsense in terms of how the overall IRS operates against organized crime and narcotics?

Mr. **English**. Sir, I am not authorized to speak for the Department.

Senator **Nunn**. Your personal opinion.

Mr. **English**. Yes, sir, in my view as a prosecutor, I got to be a part of a very important team in attacking these traffickers with extremely dedicated agents and they were all delighted to bring in the people from the IRS. IRS agents are specialists and, if I can paraphrase Charley Simon, when it comes to finding money, nobody does it better. They meant as much to us as Mark Moseley does to the Redskins, through another anology, to get in and score points.

With the jury, these are the points that frequently make a difference between winning and losing the cases. Our view at Justice as to when——

Senator **Nunn**. You are saying Internal Revenue Service participated in this overall investigation against The Company and they participated very successfully, but you are saying they were impeded and you were delayed because of the Tax Reform Act of 1976 and the procedures in that act? You are also saying that because of that act, you did not successfully pursue some of the monetary returns that you could have on behalf of the Government?

Mr. **English**. Yes, sir.

[At this point, Senator Sasser withdrew from the hearing room.]

Senator **Nunn**. You are also saying in cases that are not this large, many times prosecutors don't even ever take the first step in asking for IRS cooperation because of the long, tedious, encumbersome procedures, is that a fair characterization?

Mr. English. Yes, sir, and because sometimes it is impossible to do so without jeopardizing the main case because of the Speedy Trial Act.

Senator Nunn. Mr. Tracy, what are your personal views on that?

Mr. Tracy. Senator, I would have to agree. I was aware that what Mr. English stated were the facts. I am not sure I am an expert on the Tax Reform Act, but speaking only as an investigator and law enforcement officer, I am naturally interested in anything that would allow us to further cooperate with the FBI, DEA, whoever. I think that is necessary. The team approach or team concept is invaluable if we are going to continue in investigations such as this.

Senator Nunn. As an investigator with the Internal Revenue Service, do you believe the IRS poses one of the potentially most potent weapons the U.S. Government has against the narcotics dealers?

Mr. Tracy. Senator, I don't think there is any question about that, yes, I do.

Senator Nunn. It is my understanding the administration, to ease your personal anxiety, has endorsed the major changes in the Tax Reform Act. In fact, we had hearings yesterday afternoon. That is a real breakthrough. It is my understanding that even the Internal Revenue Service, is being coached along this line. I think there have been changes made. If we can get legislation all the way through—it did pass the Senate at one time but it did not pass the Senate-House conference. If we can do that, I think it will be a major breakthrough in the narcotics area and smooth the transition, and at the same time protecting the privacy of individuals.

The most interesting thing about that legislation, and there are some good things in it, make no mistake about it, is that in 1976 it was aimed at the alleged abuses of the White House sending down names to the Internal Revenue Service to be investigated, most of whom were on the so-called enemies list. Lo and behold in our hearings a couple of yea[illegible]go we came to the discovery that the original purpose of the act is not covered in the act and it is still not illegal for the White House to send down names for investigation on tax returns.

So the original purpose of the act is obscured and it has been a major hindrance in organized crime and narcotics investigation.

Mr. Chairman, my time is expired.

Chairman Roth. There is a vote so I think the subcommittee will be in recess until the completion of this vote.

[A brief recess was taken.]

[Members of the subcommittee present at the time of recess, Senators Roth and Nunn.]

[Member present after the taking of a brief recess: Chairman Roth.]

Chairman Roth. The subcommittee will be in order.

I believe Mr. Weiland, staff director of the subcommittee, has some questions he would like to ask.

Mr. Weiland. Mr. English, you mentioned that it took up to 6 months to get the approval of the IRS for the use of their agents as agents for the grand jury.

Would you elaborate just for a moment on what sort of problems that created?

Mr. **English.** Not only for getting them involved as agents for the grand jury, which caused a number of problems such as getting the investigation going, but to have approval for specific tax counseling on other people. That caused difficulties.

In the case of one witness, as I have indicated, we had a wait of several months while he was prepared to plead guilty, to turn over forfeitures to the Government and to testify, and we had to delay his entering his guilty plea for a significant period of time while we obtained all the necessary approvals. That is a time during which he can change his mind and decide he no longer wants to cooperate.

In this particular person's case, his testimony was invaluable to us identifying and eventually convicting high-level people in the organization.

In another case, we had a person who was ready to plead guilty and he, indeed, did plead guilty to a drug conspiracy count and he was obligated in the plea agreement to plead guilty to a tax count and we have been waiting for a period of some months for the requisite approvals, and during the meantime, it appears the person may be having cold feet. As yet, we have not had an opportunity to have this person plead and because this case is pending, I do not want to get too specific in the discussion of it, but he would have been able to plead guilty on that day when he pled guilty to the other counts if we could have had a more expeditious means of getting approval.

As it happened, he didn't, and I don't know what eventual disposition will be made of that count, whether he will honor his plea agreement or whether prosecution will be necessary or what other measures will take place. But the point remains that had we been free at that time, he, without question, would have pled guilty on that day and from that moment, certain moneys would have been due and owable to the Government.

Another case could thus have been closed and we could have diverted our resources elsewhere. We were not able to accomplish that because of the problem. My personal view is that the Internal Revenue Service is incredibly valuable to us in the strike force concept. We work in conjunction with other agencies each of which have their areas of specialization and every time we cannot use them all, I think we lose something. Sometimes it makes a difference between winning and losing; sometimes it is just a loss of revenue.

Mr. **Weiland.** Are these delay problems that you are describing in conjunction with your investigation of The Company peculiar to that investigation, or, in your experience, are these types of problems encountered in other investigations in other parts of the country by yourself or members of your office?

Mr. **English.** The problems are epidemic. In a great number of narcotic cases, there is evidence that the people have ill-gotten gains. That is part of the investigation. The agents who are working undercover pay them, people make a number of admissions, they discuss their trafficking, and we could turn the IRS loose to attack those people.

We could seize a lot of assets and make a lot of money for the Government. We can strengthen our cases in the process.

Mr. **Weiland.** Thank you.

Chairman Roth. I have, Mr. English, one further question. Then we will have to recess again.

The Chair was advised it would be 30 minutes before another vote. As usual, the information is not accurate.

It is my understanding that The Company made something like 35 or at least a large number of flights during the roughly 2-year period—apparently without being detected, at least not being convicted in a number of the cases.

Do you think that the Navy or Air Force with their modern equipment could substantially help this entering of our borders without notice?

Are you familiar at all with the problem?

Did that come up in your investigation?

Mr. English. Yes, sir. I had witnesses testify at trial, pilots testify, about the evasive techniques they used to fly into the United States from Colombia, the specific route they would take in order to elude the civilian radar, how they would come in low over the ocean, get in the middle of the flight lane and suddenly come up to a normal flying area. So, to any casual observer to the radar screen, it would appear they had just taken off from the airport and thereby they surreptiously come into the United States.

There were almost 40 planeloads coming into the United States, all without interdiction. The one plane caught was caught on the ground because a South Carolina State policemen was working undercover as an unloader—believe it or not—of that plane and they caught it on the ground in Darlington, S.C., with 1,380 pounds of marihuana. But the pilots all testified that, to the best of their knowledge, they got through without detection at all.

From a personal point of view, I don't speak for the Department on this, but I think it would be wonderful if we could use sophisticated military hardware to find the people in their flights through the Caribbean. Because the necessity for the most part of avoiding Cuban air space in order to get in southeastern United States, these people use routes which are well known.

These planes only hold so much gas, so generally they come over a relatively narrow alley, to use that description. One would think with the use of our detection devices that we would be able to locate them.

Chairman Roth. It just seems to me that is a large gap in our efforts to detect and stop these illegal entries, that the Coast Guard and others apparently do not have the most up-to-date modern radar and other equipment that would enable us to determine where these planes are entering. At least on a temporary basis, until people like the Coast Guard are better equipped, it may be that, in my judgment, we ought to be making better utilization of the Air Force and naval ability in these areas.

Mr. English. In one particular incident in this case, the trafficker had a plane loaded with 24,000 pounds of marihuana. He flew into the United States over South Carolina and was unable to land at the airport and then turned and went back over Georgia, and eventually had to abandon the plane because he ran out of gas. I don't know what an atomic bomb weighs but I seriously doubt it is more than 24,000 pounds.

Chairman ROTH. When you are talking about a DC–7, you are talking about a big plane. That has four engines. I must say it scares me to think that all of these planes are able to enter apparently undetected.

I want to thank both of you gentlemen for being here today. Your testimony has been very helpful. We may have further questions at a later date. If so we will get in contact.

Mr. ENGLISH. Thank you, very much, sir.

Mr. TRACY. Thank you, Senator.

Chairman ROTH. The subcommittee is in recess.

[Brief recess.]

[Member of the subcommittee present at the time of recess: Chairman Roth.]

[Members present after taking of a brief recess: Senators Cohen and Chiles.]

Chairman ROTH. The subcommittee will be in order. Senator Chiles is now with us. He necessarily had to be on the floor because of a Chiles amendment. I understand that you have a statement you care to make at this time.

[At this point, Senator Nunn entered the hearing room.]

Senator CHILES. Mr. Chairman, the series of hearings which we begin today represent a continuation of the vital work of this subcommittee that we have undertaken over the past several years in exposing the scope and dangers of narcotics trafficking. I want to congratulate you and the ranking minority member, Senator Nunn, for your leadership in this regard.

I hope that a concentration on the insidious drug trade, and on the ability of our law enforcement effort to combat it, will continue to be a high priority item for this subcommittee.

The Permanent Subcommittee on Investigations, with its unique charter, performs an invaluable function for the Senate. It allows us to focus in a comprehensive way on the drug dilemma and to explore the range of actions we should be taking to fight this menace.

The nature of the congressional committee structure often causes us to look at only aspects of the problem and only parts of the remedy. It is essential that we examine the narcotics trade in all its dimensions and evaluate all the possible steps we can take to put the drug merchants out of business.

The present hearings, which focus on international narcotics trafficking, build on the previous work of the subcommittee in investigating the tremendous profits and disturbing violence associated with drug dealing.

These hearings will graphically illustrate that narcotics smuggling is a worldwide business, reaching from the streets of the U.S. cities to some of the most remote corners of the globe, and also that it is a highly profitable business that is well-organized, well-equipped, well-financed, and often capable of defeating our best law enforcement effort.

It is an illicit enterprise, so swollen with money and so unchecked in its growth, that it can literally change the character and complexion of a community it invades.

Miami, Fla., the crossroads for Latin American and Caribbean trade, stands as bleak testimony to the international character of the narcotics trade and its pervasive impact.

Because it is a finance and trade center, Miami is now also a center for narcotics operations. In this city, competing drug organizations now fight gun battles in the street. Formerly law-abiding citizens are now getting in on the easy money, and, certainly government is subject to corruption.

Financial institutions thrive on drug money and no questions are asked. The regional economy itself is significantly inflated by the illegal, untaxed dollars being pumped into it.

The Miami experience brings home that we are confronting a phenomenon that currently has the upper hand. If we are to reverse that situation it will take an application of will and resources and a commitment that has not been entirely evident up to this point. Both in the Congress and within the administration, I have not sensed an adequate level of commitment to really taking on the drug traffickers and actually putting them out of business.

As an outgrowth of the previous hearings, a number of us who sit on this subcommittee have proposed legislation aimed at remedying deficiencies in our law enforcement effort. We are making progress on this legislation. One measure, to revise the posse comitatus statute and allow the sharing of military intelligence, training, and equipment, is about to become law.

Progress has been slow and this reflects, in my opinion, a lack of a sense of urgency about revitalizing drug law enforcement. These hearings will indeed prove valuable if they serve to remind the committees with the jurisdiction over these bills that we are facing a criminal enterprise which threatens the fabric of our society and that all our resources must be promptly committed to the battle.

I hope these hearings will serve as well to put the administration on notice that the task before us is not one that can be fought with rhetoric. I have been encouraged that this administration regards the fight against crime as a priority.

However, I have not been encouraged by proposed budget cuts that threaten to reduce what I refer to as our domestic defense budgets below the levels originally proposed by the Carter administration.

These cuts, as proposed, would have amounted to a 6 percent cut in the FBI, a 12 percent cut in the Drug Enforcement Administration, a 10.4 percent cut in the Coast Guard, a 6 percent cut for U.S. attorneys, a 6 percent cut for the Customs Service, and a 4.5 percent cut for the Internal Revenue Service.

Those cuts certainly do not add up to a commitment to give our law enforcement agencies the resources they need to do the job. Fortunately, Congress is taking action to restore these proposed reductions, but I remain concerned that the budget cutters in the administration have yet to get the message that there are some areas in the Federal Government that need greater and not less support. Drug law enforcement is one of these areas.

I certainly hope, Mr. Chairman, that these hearings are going to illustrate that, that it is not a battle that, to date, we are winning, and it is a battle we cannot afford to lose.

I thank you for holding the hearings.

Chairman Roth. Thank you, Senator Chiles.

At this time I would call upon the marshals to bring in the next three witnesses.

This morning, the subcommittee will take testimony from three individuals who are currently incarcerated for major narcotics violations. These witnesses were involved in an international trafficking operation referred to as The Company which based its operation in St. Louis and various other transshipment locations in the Southeast United States. These witnesses have agreed to testify pursuant to a grant of immunity. Since all have been convicted for their participation in the illegal activities of The Company, the Department of Justice has indicated that grants of immunity by this subcommittee would not be objectionable.

Each witness has been notified of our intention to seek the appropriate court order providing immunity. A formal statement for the record has been prepared by each witness pursuant to the court order. Furthermore, these witnesses have asked to testify under assumed names for personal reasons, including the protection of their families. They have been told that the subcommittee has other means of protecting identities, including the use of screens. The witnesses have stated, however, that they simply wish to use assumed names. This is their choice. Their names are Mike Jackson, Charles Dickman and Mr. Medina.

Would you three gentlemen please stand?

Do you solemnly swear that the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JACKSON. I do.

Mr. DICKMAN. I do.

Mr. MEDINA. I do.

TESTIMONY OF MIKE JACKSON, "THE COMPANY"; CHARLES DICKMAN, "THE COMPANY"; AND MR. MEDINA, "THE COMPANY"

Chairman ROTH. Please be seated.

Now I will ask each of the witnesses if he understands that the immunity order obtained by this subcommittee compels you to provide answers to all questions propounded by the subcommittee.

Mr. Jackson? Do you understand?

Mr. JACKSON. I do, sir.

Chairman ROTH. Mr. Dickman?

Mr. DICKMAN. I do, sir.

Chairman ROTH. Mr. Medina?

Mr. MEDINA. I do, sir.

Chairman ROTH. If there are no objections, I will enter into the record the respective immunity orders for these witnesses and direct that the clerk seal them.

[The document referred to was marked "Exhibit No. 1," for reference, and is retained in the confidential files of the subcommittee.]

Chairman ROTH. I understand that each of these witnesses has a prepared statement. I would ask that we refrain from questions by the members until each has completed his summary.

Mr. Jackson?

Mr. JACKSON. Do you wish me to read the opening statement?

Chairman Roth. Yes, that is correct.

Mr. Jackson. My name is Mike Jackson. From approximately January 1977, through May 1979, I was involved as the business manager for a major narcotics operation known as "The Company". As such, I kept the company's books and records and shared in the profits of most of its marihuana smuggling operations.

When I first began with The Company, I sold marihuana on a consignment basis. In 1976, I sold several hundred pounds, and in 1977 I sold between 6,000 and 8,000 pounds. I tried to net approximately $15 per pound and could sell approximately 1,000 pounds in a week which netted me approximately $15,000 a week profit, clear. My customers were friends or mature people who I knew and trusted and went to school with. I usually transported marihuana in the trunk of cars or in small trucks.

My brother, who also worked for The Company, was busted in 1978, and I needed significantly more money to bail him out and pay his attorneys, so I decided to become fully involved with The Company.

The president and I structured The Company along corporate lines, as indicated in the chart attached to the rear of my statement. I handled much of the money for The Company, helped coordinate its logistics on many of the trips and basically handled all of The Company's financial records. I shared in the profits of many of the 37 loads with which I was involved and otherwise made $15,000 a load. The board of directors consisted of the major decisionmakers in The Company, though the president had the final say.

Our Colombian connections handled all communications with the Colombian suppliers. Our staff people handled false identifications, electronic surveillance and countersurveillance equipment, money washing activities in the Caribbean, internal security and polygraph operations. We had crew chiefs who handled air operations, landing operations, land transportation, marihuana storage and distribution.

Our employees were mostly family men and legitimate businessmen who held regular jobs.

The Company had extensive assets which we either owned, leased or used. We had a fleet of planes ranking from Cessnas to DC-7's. We used all types of trucks, vans and automobiles to haul with in order to distribute our marihuana. Our truck fleet included fuel tanker trucks, semitractor trailers and 10-ton box trucks.

We had an extensive network of warehouses throughout the South and Midwest, most of which we leased. Most of our landing strips we also leased. We also surreptitiously used a small public airstrip on several occasions.

Our trips generally originated when distributors placed substantial orders or The Company needed additional funds. Our Colombian connection would place the order with his contacts who would send us word after they had cleared the loading zones with various Colombian officials and military personnel. We would meanwhile decide what U.S. strip to use and what type of plane would be utilized. We then briefed our crew chiefs who would select their crews from a labor pool previously polygraphed by The Company.

Our briefings often had the air of military operations, complete with mockups of the strip, trucks, et cetera. Trucks and warehouses were selected and the appropriate personnel notified. Once these initial logistics were taken care of, we began round-the-clock physical and electronic surveillance of the primary airstrip, the alternate airstrip and local, State, and Federal law enforcement in the area.

We always selected an alternative airstrip in a different State in case the primary airstrip had to be aborted.

Shortly before the trip, the truckers, fuel tankers, and ground crews would move to the vicinity of the primary strip. We sometimes found it necessary to bribe our fuel source not to report a large purchase of aviation fuel.

Our pilots and crew would pick up the plane at one of the several staging areas, normally in the Caribbean, and fly it directly to the designated strip in Colombia. The Colombian suppliers were supposed to have aviation fuel, the marihuana and appropriate loading crews waiting at the strip. Our planes would be loaded and fueled in Colombia and immediately take off for the primary U.S. landing strip.

We could normally predict the landing time in the United States within a 45-minute period. Once our plane was on the ground, it was immediately unloaded and simultaneously refueled. After it was unloaded, it was thoroughly vacuumed, and cleaned and airborne. We could unload a DC–7 carrying 15,000 pounds and have the plane back in the air in approximately 1½ hours. This would mean the contraband would generally be gone, though, in 20 minutes, leaving us with a perfectly clean airplane. A Cessna Titan carrying 2,000 pounds can be unloaded, refueled and back in the air in between 8 to 10 minutes.

Large loads were unloaded into our 10-ton box trucks or semitractor trailers which were then dispatched to designated warehouses. Small loads were unloaded into pickups, vans, scouts, et cetera, which went to either warehouses or directly to distributors. Large loads were covered during the summertime and sometimes during the wintertime with onions, or we use what is called a reefer trailer in which we could freeze the marihuana in order to mask its odor.

Marihuana, when it is frozen, has no odor. We often used chase cars in front and back of them to insure the road was clear between a landing site and the warehouses. We kept our trucks in top condition. We never lost a load because of an inspection, even though we often went through State weighing stations.

Distributors generally paid after their sales were made or when they picked up marihuana from the warehouses. Most marihuana transactions were on credit and we never had any collection problems. At one time, after a large load, we had so much cash on hand I had to store $1½ million in my house for over a week. We never had any difficulty with the U.S. currency laws as we found it easy to break our currency down into bundles under $10,000 in order to avoid having a currency report filed.

We paid the Colombians through our Colombian connection in the United States. How they got their money out of the country was their problem. All our dealings were in cash.

We initially staged several of our large aircraft out of a Central American country. Our offshore expert had set up a shell company in the Central American country which leased the aircraft to the national airline. The lease agreement specified we could have complete access to the aircraft as needed and they would maintain the aircraft for us. When the political situation deteriorated in that country, we shifted our staging area to several Caribbean islands where the appropriate officials had been talked to and paid to ignore what we were doing. We had an arrangement through the flight control personnel whereby they could file legitimate outgoing and incoming flight plans for our aircraft.

We rarely found it necessary to bribe officials in the United States. We did, however, manage to have one airstrip built with what we are fairly certain was county equipment. We also ran several surreptitious trips into a public strip in the early morning hours. We managed this by having a key made to the lock on the gate and flying in Titans which were able to leave in a matter of 10 minutes.

The year 1977 was a fairly trouble-free year for The Company. We ran three or four DC–4 loads, one Aero Star load and I believe two load Star loads.

On the other hand, 1978 was not a good year. We had a pilot and crew captured in Colombia, losing a fully loaded DC–7. It cost us $150,000 to get our people back. Another DC–7 ran out of fuel over the United States and had to land at the closest strip and be abandoned along with 25,000 pounds of product.

We also lost a Titan and its load as our crew chief hired a law enforcement officer as an unloader.

During 1978, we brought a boatload with 35,000 pounds of marihuana into Texas. Though we successfully unloaded the boat, our trucks and many of our people were arrested en route to the warehouse. The Company, therefore, had substantial expenses in bail and attorneys' fees.

In 1979, The Company, as an organization, was experiencing extreme pressure from law enforcement. Most of our top people had been arrested and the organization was virtually out of cash from losses incurred during 1978 and 1979.

On one trip, we arranged to have our plane loaded at the Santa Marta Colombia Airport by the Colombian Army. The army delivered the marihuana in its trucks to our aircraft, threw an armed perimeter around the aircraft, loaded us up and we took off. We did not use this method again as it cost us $25 a pound extra in order to do this.

To the best of my knowledge, The Company, as an organization, ran 37 trips to Colombia, 18 of which were in DC-class aircraft. We sold approximately 200,000 pounds of marihuana in this country at a wholesale price of $300 per pound for total gross sales of $60 million.

The marihuana cost us between $50 and $70 per pound in Colombia, giving us a gross profit of $48 million over a period of 2 to 3 years. All of our expenses came out of this $48 million. I estimate that I made between $1 million and $1½ million during the approximate 1½ years I was involved with The Company. As of this date, virtually all of that $1½ million has gone for attorney fees, et cetera. I have nothing left.

Chairman Roth. It is the Chair's intent to have each of the witnesses read their summary statement. We will then open the matter to questions from the panel.

Mr. Dickman?

TESTIMONY OF CHARLES DICKMAN, THE COMPANY

Mr. Dickman. Mr. Chairman, Senators, my name is Charles Dickman. I was associated with a major narcotics group known as The Company from 1976 through 1978. My preliminary duty with The

Company was to fly large four-engine type aircraft. I also advised The Company as to what type of planes could be used for given landing strips and load requirements.

I would be briefed for each trip by the president of The Company and other key people. The briefings covered flight plans, review of charts, dates, and times of the trip, who would be flying with me, and the compensation to be paid to me and the crew.

The crew and I would pick up the plane at the staging area which was normally in one of several Caribbean islands. We occasionally picked up the planes at strips in the United States. The planes were maintained by a flying squad of mechanics who were on call as needed. On the DC-6 and DC-7 craft, I had a copilot and an engineer and loader-mechanic. On the DC-3 and DC-4 craft, I had a copilot and a loader.

We would fly directly from the staging area to Colombia. We would always fly visual and without flight plans.

We had to rely on the Colombians as to whether or not the Colombian strip would handle the type of plane we were flying. As a result, we sometimes had a hard time finding the right strip. On one occasion we buried the nosegear of a DC-7 into the strip over the wheels and on another, the landing gear was too wide for the strip almost causing disaster at that time.

The Colombians were supposed to have fuel and the marihuana with an appropriate ground crew at the strip when we landed.

On one occasion it was over a day before the Colombians showed up with the fuel and the marihuana. In the meantime we were arrested twice and released twice by the Colombian military and the Colombian police.

The Colombian suppliers arranged for our release both times, always assuring us that the fuel and marihuana were on their way. On takeoff we nearly collided with a pickup truck just after liftoff. It was my first trip and it was very close to being my last trip anywhere.

I always left the Colombian strip and set a course directly for Great Inagua in the Caribbean. I would turn at Great Inagua and fly at under 10,000 feet, head for a point on the Florida coast between Fort Pierce and Vero Beach. This was always at night. I would take the craft down about 300 feet above the water until I passed the coastline and would then circle over Lake Okeechobee to assure myself that I was not being followed and would ascend over the Okeechobee airport. From that point I would head directly for the designated landing strip in the United States.

I always personally checked out The Company's prime and alternate landing strips in the United States. The alternate was always in a different State and was to be used if the primary strip was unsecure or socked in. We would only go there if the primary wasn't secure or was socked in by weather.

To my knowledge, I was never picked up on radar during any of my 11 trips—always in a DC class aircraft—and was never intercepted by military aircraft.

Once on the ground, The Company's landing crew took over. They would immediately unload the aircraft, vacuum it and refuel it. I would then take off and fly to a designated staging area usually several hundred miles away, or back to the island. From there I would return to my home by commercial aircraft.

These trips normally meant that I was working 24 to 30 hours straight with no sleep. Pushing the crew and the plane to the outer extremes of their tolerances made these trips quite interesting, as well as hazardous. On most trips we ran into mechanical or technical problems. On one trip we had to tear up the floor of the plane to get to the fuel cables so as to reach enough fuel to get to our destination. On that trip, we had one tank completely contaminated with water.

On the trip where we buried the nose gear, we ran out of fuel on our way back and had to abandon the DC–7 and it's load at a small strip in the United States. On yet another trip, weather forced us to overfly Cuba, and we were lucky not to be intercepted by Cuban Mig fighters. These problems were always compounded by the fear of getting caught. I was arrested along with my crew one other time in Colombia and we were thrown into jail in Colombia where we stayed for a week, until The Company managed to send money and bust us out of jail just hours before we were to be sent to Bogota.

During my stay with The Company, I earned a tremendous amount of money. But I was seldom paid the total amount promised as I was not paid until the marihuana was sold and I therefore lost out on loads that were captured or abandoned.

Eventually I left The Company as its operations seemed to be getting quite loose. At the time The Company had over 150 employees, some of whom were being too flashy with their money and other things.

Several loads had been intercepted and I had made enough money to set myself up in a legitimate business. I was working on this business full time when I was eventually arrested.

This short prepared statement in no way portrays my true feeling about this most dangerous business and it is my hope that the questions asked by this subcommittee will help paint a true and better picture of the pitfalls and misconceptions of easy money associated with the smuggling of marihuana.

Chairman ROTH. Mr. Medina?

TESTIMONY OF MR. MEDINA, THE COMPANY

Mr. MEDINA. Mr. Chairman, Senators. This is my statement. My name is Mr. Medina.

From approximately August 1977 to November 1978, I was associated with a major narcotic trafficking operation known as The Company. During that time, I acted as a Colombian connection for obtaining marihuana to be delivered by The Company to the United States. During my association with The Company I was paid approximately $300,000.

I had a contact in Colombia who had contacts with three men who could supply all the marihuana The Company could use. Orders were placed with me by the president of The Company. I would call in the orders collect to my Colombian connection from a pay phone in Florida, telling him the time and date we wanted to make the pickup.

The Colombians would then contact the army colonel in the area and other key military people to obtain clearance for a shipment of marihuana to be made for the given time and place in the Guajira Peninsula. The colonels we dealt with were on a fixed retainer and were paid an additional certain amount for each load we shipped out of Colombia.

Once we obtained clearance, the Colombians would send us appropriate maps and details. Shortly before the scheduled trip, the Colombians would visit the colonels and other important military people to make the appropriate payoffs.

On one of my many trips to Colombia, I went with our Colombian contacts on a marihuana gathering trip. Our contact had about 40 men working for him, had his own fleet of trucks, grew some of his own marihuana and also handled cocaine and quaaludes. On this particular trip, we left his farm and drove from farm to farm in the Colombian mountains inspecting and selecting marihuana. Once our order was filled, we took it to a farm/warehouse in the Guajira where it was graded and put into bails. The marihuana would be trucked to the landing strips just before the plane was scheduled to arrive.

It is my experience that bribery is very common in the Guajira Peninsula of Colombia. I have personally been present when the colonels in the area were bribed and have had the bribery system explained to me by the Colombian suppliers.

I was told by two marihuana suppliers about a $1 million bribe paid to a Colombian general who was bringing too much pressure against smugglers. These two men were among 50 suppliers who invited the general to dinner and offered him the bribe. The general accepted the bribe and asked for a transfer to Bogota.

I was also involved in bribes The Company had to pay to get one of its pilots and some crew members out of jail in Colombia. The pilot and crew were captured by a special task force of DEA assisted Colombians out of Bogota. The colonel for the area did not know anything about the task force.

The pilot and crew were captured on the ground and taken to a jail in a nearby town.

The Company found out about it when I was called in Miami by our Colombian contact. I was immediately polygraphed by The Company's polygraph operator as they thought I had informed on them. After I passed the test they asked me to call my Colombian contact to see what could be done. My contact said $125,000 would allow us to break them out of jail. I carried the money on a commercial flight to Colombia and gave it to our contact. He paid $30,000 to the local judge to insure that the prisoners were not removed to Bogota. He also paid the local colonel and the chief of police. The power company was also paid to turn off the power on the night of the break. The Colombians also required money with which to pay their men and themselves.

On the appointed night, the Colombians walked into the jail in army uniforms and walked the pilot and crew out. The guards at the jail were paid to be elsewhere. The break went off without complications and the pilot and crew were taken to the mountains where they hid for 1 month before being returned to the United States on a Company plane.

The Colombian press speculated that the break was a CIA operation.

The Colombians have many ways of getting their drug money out of the country. Many of them give the money to commercial pilots who smuggle it into Colombia by bribing Colombian customs officials. Others use legitimate United States and Colombian companies that normally deal in large amounts of currency. The Colombians pay the companies or employees in the companies to funnel their money into Colombia through the companies' bank accounts. Many Colombians simply take their money out on commercial, charter, or private aircraft. It is my experience that it is not difficult to take large amounts of currency out of the United States undetected.

Chairman ROTH. We will use the 10-minute rule and questions will be asked in the order that the Senators joined the panel.

Mr. Dickman, you said in your statement that to your knowledge you were never picked up on radar during any of your 11 trips, all in a DC class aircraft and you were never intercepted by military aircraft. How could you consistently fly into the United States undetected in such large aircraft?

Mr. DICKMAN. We felt like we knew where the cracks in the radar were. We took chances. We mapped out the areas where we were coming in beforehand by small aircraft and by maps that had the designated radar stations on them. We would come in low over the water and most radar sites are line of sight. By that I mean if you are standing on the ground and you are looking out, anything over the horizon you can't see. Anything over the horizon the radar stations cannot pick up. So by flying dangerously low over the water, we were able to come in under and away from the radar stations.

That is basically how it was handled. I think any further comment on it probably should be held in closed session.

Chairman ROTH. I take it from your testimony that air smuggling is hazardous for pilots. Would you describe what some of the hazards are?

Mr. DICKMAN. It is my feeling that there are too many uneducated and novice pilots flying in this business. The fact that the airplanes are pushed to their extreme limits, the necessity to fly them overweight and overgross makes a twin engine airplane very dangerous. The fact is that if you lose an engine, you are going to crash.

The range is usually far enough that you are flying to the extreme limits with fuel running very low. People run out of gas. Pilots get bad gas in Colombia. I don't know just how many get blown up through bad insulation on the gas tanks in the fuselage or run out of gas short of the destination and falling into the sea.

This makes it extremely dangerous.

Chairman ROTH. Mr. Jackson, I believe you indicated in your testimony that many of those recruited by The Company were business and family men. Do you think they appreciated the risk involved in this kind of operation? What steps, what can be done to discourage people of that background from getting involved?

Mr. JACKSON. I would say, first of all, anyone in the business did not initially realize the risks involved.

Chairman ROTH. Why is that?

Mr. JACKSON. They had read the newspaper. The newspapers publish the fact that 10 percent of the people get caught. That means 90 percent of them get away. They publish the fact of how much money is made in gross figures without any of the expenses involved. A man thinks he can make $60 million, has 90-percent chance of getting away with it. With a bad economy, he is going to take a shot, especially when morally he sees nothing wrong with the marihuana. As far as what you could do, publish the true facts. Show the sentences that people are getting. Show that there is more of a chance of getting caught than these people believe and take the moral aspects of it. I have heard that there is more and more medical knowledge coming out that marihuana is bad. I personally have heard just as many reports that it is good. I would say you need to educate people to the fact—if it is a fact—that it is bad for you, that it is worse than cigarettes, worse than alcohol. If that is all true, then publicize it.

Chairman ROTH. The Company, of which you were a member, was a pretty sophisticated, well-structured organization. Are you familiar, are there many other organizations of this type that any of you gentlemen are aware of? Is this a fairly typical organization?

Mr. JACKSON. I would say that in comparison, we were far from being sophisticated. There are many more people out there that are much more sophisticated than we were. After all, you caught us. You haven't caught them.

Chairman ROTH. But are there many of these kinds of "Companies?" Is there common talk about this being one of many?

Mr. JACKSON. Probably several hundred, Senator.

Chairman ROTH. You say several hundred?

Mr. JACKSON. Yes, I did.

Chairman ROTH. One of you, I believe you, Mr. Jackson, again, explained or talked about phony identification. Explain how you obtained them.

Mr. JACKSON. Phony identification in the United States is very easy to obtain. You simply go to a large public library in any large city, go through the old copies of the newspapers, find someone who died approximately the same year that you were born. By "died", I mean within 1 or 2 months of his birth. Next, you send off for the death certificate. Once you have the death certificate, you have the information you need to receive the birth certificate. Upon receipt of the birth certificate, you are well on your way to having a total ID. We would go to one of our people in Arizona who made us drivers' licenses for any given State with a picture on it. We took the driver's license and the birth certificate to any regional passport office on Friday morning, with a ticket to London for that afternoon. We would tell them it was an emergency trip, submit the identification we had and by the afternoon we would have a legitimate U.S. passport. When you have the passport, you can get any other piece of identification you want.

Chairman ROTH. How did you learn these procedures or methods? Is there some general source where you can just develop it internally?

Mr. JACKSON. It was developed internally, most of the people who worked in The Company were college graduates, had gone to military school and/or college, or were trained by the U.S. Government in Vietnam. It is pretty common knowledge. Anybody who wants to find out, through a minimum of 2 hours worth of research, can turn it up.

Chairman ROTH. Why were false I.D.'s so useful in your operation?

Mr. JACKSON. They were good for us because we could travel in and out of the country at will. There would be no record of us going from one country to another, or our returning here. There would be no record other than the record of the person who, after all, was already dead. If that particular person became what we considered hot, we would burn him up in an ashtray and would become someone new tomorrow.

Chairman ROTH. It is my understanding, Mr. Dickman, that there are a number of private air strips in the Guajira Peninsula. How would you know which one to land on?

Mr. DICKMAN. Usually we were told by degrees on meridians and parallels where to go if we hadn't been there before. There are many, many strips down there. When we get down into the area, we would call our ground people on the radio. We had two-way radio contact and they would verify that we were either over the strip or we were west of the strip, etc.

We would then fly over the strip, look it over one time, make one turn and go in and land, if we thought it was capable of handling the airplane. Of course, we pretty much knew that it would because we would generally have knowledge that other aircraft of our type had been in there before.

There are a tremendous amount of strips on the Guajira. For somebody going down that doesn't know the area or is not familiar with it, especially at night, it could be very dangerous. The Indians who usually meet us sometimes had very old muskets, rifles, sometimes spears and sometimes bows and arrows. If you got on the wrong strip, you were never sure of what they were going to do. But usually we knew in advance where we were going and knew the area quite well after we were there one time.

Chairman ROTH. We have two photos of these types of strips. I would ask that they be put up and whether you recognize them—do you recognize that?

Mr. DICKMAN. Yes, sir. That is a very nice strip they have down there. We operated out of there, I think, about twice; maybe three times.

Chairman ROTH. Is that commonly used for drug traffic?

Mr. DICKMAN. That is all it is used for.

Chairman ROTH. Do you want to put up the other picture? Do you recognize that airstrip?

Mr. DICKMAN. I'm not sure, unless it is just south of Rio Hacha. I am not quite as familiar with this one as with the other one. Now that I look at it I do recognize it. I think it is a dusting strip, not necessarily a smuggling strip, that is located, I believe, west of Rio Hacha. I never used it.

Chairman ROTH. You testified earlier that as far as you knew that your many flights were never detected. Do you believe that if we used the most modern radar technology, techniques, if we used the military, including the Air Force and Navy, that it would be possible for planes like you flew, the DC-7, which is a fairly substantial plane, to go undetected, or do you think it would become almost impossible to break through without detection?

Mr. DICKMAN. I think that with the help of the modern technology and modern radar, without too much trouble, they would all be detected. How many of them would be intercepted is probably another thing.

Chairman **Roth**. My time is up.

Senator Nunn?

Senator **Nunn**. I have to go.

[At this point, Senator Nunn withdrew from the hearing room.]

Chairman **Roth**. Senator Chiles?

Senator **Chiles**. It is your feeling, then, Mr. Dickman, that with military surveillance or using some of the military equipment that we now have, that you virtually could detect all of the planes coming in?

Mr. **Dickman**. I think the AWACS airplane has the capability of doing most anything it wants to do, including——

Senator **Chiles**. With its lookdown capability, there is no window that you can come in by getting 300 feet over the deck, is there?

Mr. **Dickman**. You would be safer at 300 feet, but you would still be able to pick up trains and cars running on the ground. This is what I understand. I have no firsthand knowledge of it, only what I read in Aviation Week, an aircraft magazine.

Senator **Chiles**. During the time that you were flying, did you ever have any radio communication? Did anybody ask you who you were, or ask you to identify yourself?

Mr. **Dickman**. Not as such. If we had a question about the weather on our way back, we sometimes contacted the Weather Bureau enroute over Florida and checked on our weather and destination. If we thought it was inclement or bad, we would go to the alternate at that time.

Senator **Chiles**. When you were checking on that weather, how would you disguise who you were, and did anybody ever ask you whether you had filed a flight plan?

Mr. **Dickman**. No. It is not a normal thing to ask. Sometimes they asked where we were headed and we always had an answer picked out for them. We would tell them, if we were a DC–7, for instance, that we were some other fast turboprop airplane in case they had us on radar contact. That would be within the speed of either airplane. It was not really a hard thing to do, but generally we kept radio silence and only on very special occasions when we thought we would be having weather problems did we check in with anyone.

Senator **Chiles**. Mr. Jackson, when someone was recruited in The Company, what agreement, if any, was made to cover legal fees and bail if the recruit was arrested? Would The Company pay attorneys fees for arrested employees? Was that part of the contract?

Mr. **Jackson**. To the best of our ability to respond, we would pay all the legal fees and all bail bonds.

Senator **Chiles**. Did The Company pay for and hire the lawyers, or was that up to the employee?

Mr. **Jackson**. No. The Company, in most cases, hired the attorney, but in many cases, the employee would choose his own attorney and we would pay the bill.

Senator **Chiles**. Did The Company then try to maintain a reputation of taking care of the employees?

Mr. **Jackson**. Until the time of my arrest, we took care of all of our employees.

Senator **Chiles**. You said The Company was eventually going broke. Was that because of the hits that you had taken in the smuggling?

Mr. JACKSON. Because of marihuana that we lost, but mostly it was because of the exorbitant legal fees charged by attorneys for drug defense.

Senator CHILES. So the lawyers would get more of the money?

Mr. JACKSON. In my opinion, the only people who make money in the smuggling business are the attorneys. [Laughter.]

Senator CHILES. When you get out, are you going to law school?

Mr. JACKSON. I took prelaw when I was in college. I probably went into the wrong profession.

Senator CHILES. You said there are other companies still operating. Do you think they are still operating because they are more sophisticated than The Company was?

Mr. JACKSON. In many cases, I would say they are more sophisticated. Anyone—in my opinion, anyone who stays in the drug business long enough will be apprehended mainly because people aren't used to handling large amounts of money. You have so much money when you walk into a department store, you can buy everything, including the store. You lose total respect for money. It changes people. It changes them in ways that you probably wouldn't believe. So they start out very sophisticated, they then get to the point where they break all of their own rules. Most drug smugglers catch themselves.

Senator CHILES. So, because of that tremendous money, you get careless and you do things——

Mr. JACKSON. You develop a syndrome where you think you can get away with anything. This, in turn, causes you to make mistakes. You break your own rules.

Senator CHILES. You were dealing with marihuana, not with cocaine?

Mr. JACKSON. The only drug that we dealt with was marihuana. We did not consider marihuana to be a drug. We did not deal in cocaine, quaaludes, or any type of hard drugs.

Senator CHILES. Then the people that were in The Company had a feeling that this was something that was all right?

Mr. JACKSON. I did, and to be very honest with you, I do today—I see nothing wrong with marihuana, no more so than cigarettes or alcohol.

Senator CHILES. What about the effects the drug occasions—the bribery, everything else?

Mr. JACKSON. Unfortunately, since marihuana is illegal, that is what you have to do to go about your business. We didn't have to do much bribery here in the United States. We had very, very little of it, if any, and with very few exceptions, we never came in contact with the bribery end of it. It was done in Colombia.

Senator CHILES. Did you notice, from 1977, when you had a bumper year, that the law enforcement people were getting better and more sophisticated?

Mr. JACKSON. No, sir; we were caught through our own mistakes.

Senator CHILES. You didn't feel they were getting better?

Mr. JACKSON. We made 37 trips and law enforcement never caught us except the one time when one of our crew chiefs lied to the organization and said he had polygraphed the gentleman that he hired.

That gentleman turned out to be an undercover agent. In fact, he did not polygraph him.

They caught one of our people, other members of our crew on the ground. Otherwise, they never caught us per se smuggling marihuana.

Senator CHILES. You say that you paid legal fees. Did you also put up bail, and did any of your employees ever jump bail?

Mr. JACKSON. We left it up to the employee. We would post bond if he wanted to stay to fight the case.

We would, of course, pay the attorneys to fight it all the way to the Supreme Court if necessary. If he wanted to leave, we also allowed him to leave.

Senator CHILES. You let him jump?

Mr. JACKSON. Upon getting him out of jail, we polygraphed him; supplied him with a totally new identity. So it was up to him at that point as to whether he wanted to leave or not. Most of them stayed.

Senator CHILES. Could you elaborate on how you got the money without having to worry about the currency laws? You said you broke it down into less than $10,000. Normally you would think somebody would notice a pattern of transactions, even though you are dealing with less than $10,000.

Mr. JACKSON. There is no pattern. I could take a quarter of a million dollars today, in a period of 4 hours, walk around the city of Washington, D.C., clean it up into anywhere between $5,000 and $8,000 cashiers checks. Remember, we were operating in towns, most often people knew us, we would simply send people around to buy cashiers checks. It is a common practice. You have to understand in the United States, today, a $100 bill is just like a $20 bill. Nobody notices the difference.

Senator CHILES. Even though you would go into these banks routinely with $6,000 or $8,000, no one in the bank seemed to notice that there was anything out of the ordinary?

Mr. JACKSON. We never had a problem.

Senator CHILES. You never had any problem?

Mr. JACKSON. Never.

Senator CHILES. Mr. Medina, did it become any more difficult as the years went by, into the last year, to bribe people in Colombia such as the military? Did you notice any change?

Mr. MEDINA. There were times when officials out of Bogota would come to different places in the Guajira Peninsula. At those times we would have to cease operations as they would not take any bribes at that time.

Senator CHILES. The Colombians have now organized a Federal National Police Force. Was that organized after your operation?

Mr. MEDINA. It was organized after my operation.

Senator CHILES. So you weren't involved with them?

Mr. MEDINA. Not at that time.

Senator CHILES. Primarily the military and the local authorities that you were dealing with in the peninsula?

Mr. MEDINA. In the peninsula at that time it was only the military and just a little bit of police. They didn't have nothing else at that time.

Senator CHILES. My time has expired, Mr. Chairman.

Chairman ROTH. Thank you, Senator Chiles.

Senator Cohen?

Senator COHEN. Thank you, Mr. Chairman.

Mr. Dickman, I have listened to your testimony.

I was going to ask you whether or not your company had developed any advances in stealth technology. It occurred to me that considering the magnitude of drugs brought into the country, illegally, I am not being too cynical to suggest that sometime in the future, with the kind of $50 or $60 billion industry that does in fact exist, there will be attempts made to develop and take advantage of advances in deceptive aircraft in the future. So a possible long-term solution to the drug smuggling problem would be to put AWACS or EC-2, Hawk Eyes up in the air.

Let me just ask you a couple of questions.

You suggested that the dangers in flying are greater than the risk of being caught. It seems to me the evidence, with the exception of your case, is quite to the contrary. This subcommittee has been holding hearings now for 2 years and the evidence is that the dangers of being caught are quite minimal.

We had hearings about the drug traffic in Florida last year. There is a $7 billion drug industry in the State of Florida alone. Last year, 1980. I believe, DEA confiscated about $25 million worth of drugs. If you were a betting man, who do you feel is going to win—the drug enforcement agents or the drug smugglers? What would you consider to be the future of that industry in Florida considering the enforcement agents collected such a small percentage of the smuggled goods?

Mr. DICKMAN. I think that as long as there is demand, you will always have a supplier. I feel, however, that the ability of the DEA to stop air traffic and to catch the pilots that fly the airplanes is far greater than you realize. The long distance between Florida and Colombia usually necessitates a landing going outbounds with an aircraft, that is probably suspect as soon as it hits the ground in Florida. The number probably had its picture taken, checked by radar on its way out to see where it goes. It is my opinion that there are very few airplanes that go out and come back and do it successfully for any length of time. Everybody that I know that has been in this business for a period of over 2 years is either in custody or is running, as we are.

Senator COHEN. Let me go back over the risk issue. How much did you expect to make per flight?

Mr. DICKMAN. It all depended on the load. The pilots were usually paid $20 to $30 a pound for a Colombian trip.

Senator COHEN. How much does that translate into?

Mr. DICKMAN. Say you have 2,000 pounds at $30 per pound, $60,000 for a small airplane.

Senator COHEN. So how much of a risk do you think it really is given the fact that The Company can promise a pilot such as yourself upward of $60,000? I suggest Mr. Jackson might testify upward of $100,000 per flight. Assuming that you are cut, there must be hundreds, if not thousands, of other people standing in line to make those flights. So it seems to me that if they can offer you $60,000 a flight, that is pretty good money tax-free.

Mr. DICKMAN. That is excellent money, and that is one of the problems that you are facing today, and one of the problems that my people, the pilots are facing today, too.

Senator COHEN. Let me ask you, what is the respective sentences that each of you received?

Mr. JACKSON. I have a 20-year sentence with the State of Georgia. I have received a total of 8 from the Federal Government.

Senator COHEN. Mr. Dickman?

Mr. DICKMAN. Ten years, first offense.

Mr. MEDINA. Twenty years.

Senator COHEN. That is a lot stiffer than some of the ones we have heard before, and that goes all the way from drug smuggling to chop shops which is also a major industry in this country.

We found a consistent pattern of conduct: No. 1, there was little risk of being caught; No. 2, there was little risk of being prosecuted; and No. 3, even if you were prosecuted, chances are little of being incarcerated and even if you were put in jail for a significant length of time your families were well cared for during the course of that incarceration. We are talking about the major companies. Yours is small by comparison to some of them.

It is easy to land boats on the coast of Florida. It is virtually impossible to detect the number of boats—large or small—coming into that State.

If you take all of these factors, and consider that of the $7 billion coming into the State of Florida, only $25 million has been apprehended, possibly our enforcement practices are not working.

It seems to me that we are not sending a very strong message forth to the people of this country that there are great dangers and great risks involved in drug trafficking.

Was the danger and risk a consideration for you? You had a full-time job, did you not, before you started this?

Mr. DICKMAN. Yes, I did.

Let me state that I think these figures as far as aircraft are concerned are very erroneous. The people that I know and the companies that I know are all having problems in this area. As you said, I think a great deterrent to this problem would be to let the pilots know that they will be incarcerated, not granted probation, but like in my case, be given 10 years. Let them know of the risk involved. Why haven't the FAA or other Government agencies printed these risks as they do for light aircraft, for weather, ice, and so forth?

I think this would be a great deterrent, Senator. I strongly recommend it. It is one reason I am here.

Senator COHEN. Mandatory sentences, no probation?

Mr. DICKMAN. I don't go along with that. [Laughter.]

Senator COHEN. With what?

Mr. DICKMAN. Mandatory sentences, no probation.

Senator COHEN. Why not?

Mr. DICKMAN. Because you have a first offender here. You have a situation here that you have never had in the history of man, of a small group being able to go out and make this big money. They hear it on 60 Minutes. The publicity is so great. You can get into this business; all you have to do is be able to fly an airplane, fly from here to Colombia and back. Easy; there is no problem. That is not the way it is, Senator.

Senator COHEN. What I am suggesting to you is this: What if the message came out that there was, in fact, greater dangers and risks associated with drug smuggling along the lines of a 20-year mandatory sentence, no probation. Do you think this would serve as a deterrent?

Mr. DICKMAN. I think it would be a deterrent if he thought he was getting caught. My solution is to say, yes, we are catching them. We are not catching 10 percent as erroneously laid out by the DEA as far I am concerned but we are catching 80 to 90 percent.

Certainly $60,000 or $50,000 is not any money at all if you cannot spend it. It may buy a lot of commissary, but even commissary is not that great inside. No. I am saying for the——

Senator COHEN. You think it should be a much higher rate of apprehension, smaller sentences? What do you say?

Mr. DICKMAN. I feel this way: The pilots are getting into this because of the publicity involved, the high money, low risk. You cannot blame them.

Like I said, never before in the history of man has anything been quite so touchable, quite so readily at hand.

Senator COHEN. Let me just suggest to you one thing.

In the State of Florida, you have a State that is virtually addicted to the influx of drugs and whose economy is virtually dependent upon the influx of drug money. You have got a situation in some parts of Florida in which there is anarchy on the streets. You have got cocaine cowboys armed with MAC-10 machine guns who are gunning down people at a rate that is alarming.

It seems to me we have got to send a much stronger message if we are really going to deal with this problem. Possibly the greater risk of apprehension, as I have suggested, will serve as a deterrent.

Mr. DICKMAN. I have to agree with that wholeheartedly. I feel that these first offenders really don't know what they are getting into. Get the message out to them. Get a true message out to them that says yes, you will be caught. Yes, you will do hard time. Yes, you will not get probation as I didn't get.

I think that should be a deterrent. I think probably education in this business is your only deterrent to this business.

Senator COHEN. My time is up, Mr. Chairman.

[At this point, Senator Chiles withdrew from the hearing room.]

Chairman ROTH. I would like to ask Mr. Jackson and Mr. Medina, in that order, what recommendations they might have if they suddenly became law officials. What steps could be taken that would help curb the drug traffic?

Do you have any recommendations, Mr. Jackson?

Mr. JACKSON. Senator, as far as the cocaine, hard drugs, I really don't know. I can only talk about marihuana, the only drug that I was in contact with, used and believed in. As I have stated to several people that I have talked to in the Government, I do not feel that you will ever be able to stop the flow of marihuana into this country. Primarily because, No. 1, in a very few years, the No. 1 crop will be grown here in the United States. Better, stronger, the best marihuana in the world will be grown right here in the United States.

As long as you have 30 to 40 million people smoking marihuana, as long as you have 30 to 40 million people who don't feel it is any worse that a beer, a glass of whiskey, or cigarettes they are going to smoke it.

As long as they are smoking it, as long as there is a demand, there will be a supplier. You can put your AWACS planes up in the air and drop paraquat on Colombia, for that matter if you wanted to, you could spray the entire United States with paraquat. They will simply go where the product is, bring it here anyway. Here again——

Chairman ROTH. Let me underscore my basic question.

Certainly a serious question is the demand, the market. If we can do something about that, then, undoubtedly, the source will dry up. But that is not the thrust of my question. The thrust of my question is, What steps do you think could be taken to make our law enforcement in this area more effective?

Is there anything beyond what has been said this morning?

Mr. JACKSON. I think more cooperation between the agents working on it, sharing knowledge, possibly putting an AWACS up will help control the boats and planes since they can spot them all.

Chairman ROTH. Why did your company, so-called "Company," use planes instead of ships?

As I gather from the testimony, the planes are a very risky business, at least for the pilots.

Mr. JACKSON. Right, but the chances of getting caught in an airplane are a lot less than they are in a boat plus it is a quicker trip. If we went tonight, by tomorrow night we are back. No way we failed. It was just a quicker way of doing things.

Chairman ROTH. Mr. Medina, going back to my earlier question, what recommendations would you make to make our law enforcement efforts more effective?

Mr. MEDINA. My recommendation, Mr. Roth, would be to have more radar planes, watch the lanes where these airplanes are coming in, through the Caribbean Islands and also have a constant watch on the different airports. Check on the incoming airplanes, especially the private airplanes and the different airports that don't have any tours. That is the only thing I can see that might slow it down a little bit.

Chairman ROTH. In other words, you are agreeing with the earlier statement that if we use more modern technology, radar, equipment, that we could be much more effective in balking these flights?

Mr. MEDINA. Yes. I agree with that. Also we need more manpower on the ground to give surveillance.

Chairman ROTH. Mr. Medina, I understand that you lived in Barranquilla, Colombia in 1960. You have testified that you visited Colombia many times since then.

What changes have you noticed in that city?

Mr. MEDINA. Since 1960, when I visited Colombia, there has been a tremendous amount of progress. They have a lot of different buildings, condominium buildings and offices, and you can see there has been progress due to the influx of money coming from the United States due to the trafficking of drugs. That is one of the main reasons which they have acquired all this new wealth.

Chairman ROTH. Were you ever searched for currency as you left the United States?

Mr. MEDINA. I never was searched for currency when I left the United States.

Chairman ROTH. Is it common for couriers to carry currency to Colombia from, say for example, Miami?

Mr. **Medina.** It is very common for anybody to carry any large amount of money within yourself, your pockets, or you can put it in your bags, or your attaché cases and go right through inspection.

Chairman **Roth.** Were passengers ever reminded about the requirement that they file a report when they carried more than $5,000 in or out of the United States?

Mr. **Medina.** Only on the inbound flights they were reminded about that. There was never advanced warning of any report that they have to do.

Chairman **Roth.** Mr. Jackson, did The Company have any extravagant expenditures?

Mr. **Jackson.** Yes. We threw a birthday party once that cost us approximately $150,000. We hired cheerleaders from one of the major football teams to serve drinks, birthday presents; we bought our own airplanes, Mercedes Benz, Rolex watches, we lived very well.

Chairman **Roth.** Did you ever repurchase any of your seized assets?

Mr. **Jackson.** We would. Particularly our airplanes. We would fly our airplanes without the records or logs on board. The theory behind this was if the airplane was seized, it would eventually be sold at auction. It was worth nothing to anyone else but us because on a large four-engine aircraft, old round engine aircraft, without the books and records, the repair manuals that were on-board, it would be really worth nothing to anyone else because if they bought it, they would have to go to the FAA and get it recertified. This could cost them with a large airplane up to $100,000.

In one instance we bought the DC–7 back that we had abandoned in Georgia for approximately $25,000. Resold it, and tried to get our money back out of it. In most instances we did.

Chairman **Roth.** Mr. Dickman, if it is so hazardous, why do pilots get involved? Is it solely a question of money or do they really know the risks? Is it hard to quit once you get started?

Mr. **Dickman.** Yes, sir. On both answers, getting into the business is really quite easy. The money is not the only reason for getting in the business, especially with the old pros that fly schedules and so forth, flying in itself is a very, very boring job.

The gentlemen that are 35, 50 years old, sometimes flying, get fed up with it, want excitement. They do it mainly because they can beat the system, for the thrills. For that, they feel like they are doing more than just sitting behind a console and driving through the air. I think it can best be described as this is the big thing, this is the rosiest. It is an exciting thing to sit up there and watch for the enemy or DEA aircraft to think that perhaps you are outsmarting them, coming into radar, the monetary values. It certainly is not boring.

If you don't scare yourself off on the first trip, which many of them do, then you are probably hooked with the money, with the excitement, the ability to buy anything you want, to go anywhere you want, any type of equipment you want.

It is hard to walk away from the table when you are rolling 7's. It feels like you can go on and on and there is no end to it. Once you get into the business, it is extremely hard to get out because of the law enforcement also. You have made two or three trips maybe. You had your picture taken, you feel, at one of the airports, either in Florida, or Texas, or even down South no people are asking questions.

You begin to stay away from your home. In some cases, you have to leave your family or your girlfriends. It is not an easy job after you are in it for awhile. The excitement goes out, now you are in it for the money, you had your problems, you cannot quit. You have lawyer fees to look at. It is expensive to run.

Like I said, it is also very dangerous. This business has bred a new business called steal an airplane and make a trip. That in itself has become big business as you probably know.

I feel the business is not the same business it was 5 or 6 years ago. We had a lot of trust in the business 5 or 6 years ago. You know, there are too many ripoffs, there are too many snitches in the business. There are too many hard times and hard fines. It is just not what it used to be. I wouldn't go back into it again for $1 million.

Chairman ROTH. I see we have a vote. So we will call this hearing to an end.

It is unfortunate that we cannot better get out the story of the downside of the kind of activity you gentlemen were involved in.

I would ask the marshals now to remove the three witnesses.

The subcommittee is in recess.

[Whereupon, at 12:25 p.m., the subcommittee was recessed, to reconvene at the call of the Chair.]

[Member present at the time of recess: Senator Roth.]

INTERNATIONAL NARCOTICS TRAFFICKING

THURSDAY, NOVEMBER 12, 1981

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 10:08 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, under authority of Senate Resolution 361, dated March 5, 1981, Hon. William V. Roth, Jr. (chairman) presiding.

Members of the subcommittee present: William V. Roth, Jr., Republican, Delaware; William S. Cohen, Republican, Maine; Warren B. Rudman, Republican, New Hampshire; Lawton Chiles, Democrat, Florida; and Sam Nunn, Democrat, Georgia.

Members of the professional staff present: S. Cass Weiland, chief counsel; Michael Eberhardt, deputy chief counsel; Marty Steinberg, chief counsel to the minority; Eleanore Hill, assistant counsel to the minority; and Katherine Bidden, chief clerk.

[Members of the Senate present at commencement of hearing: Senators Roth, Rudman, and Nunn.]

Chairman ROTH. The subcommittee will be in order.

This morning the Permanent Subcommittee on Investigations will continue its comprehensive hearings exploring drug trafficking and the country's response to this continuing problem.

Our focus today will be on Southeast Asia and the bumper crop of heroin that region is producing this year.

Later in the day, we will receive testimony from representatives of the Coast Guard concerning its important role in interdicting drug traffickers.

Our first witness will be staff counsel, Eleanore Hill, who will report on the staff visit to Southeast Asia. She will be followed by John O'Neill of DEA. We also have with us this morning Dennis Morton, the Chief of the Western Section, Office of Intelligence of the DEA and Lt. Richard W. Wright of the Organized Crime Intelligence Division of the Los Angeles Police Department.

Some of the testimony this morning will relate to money washing through Hong Kong financial institutions. In that regard, I would like to submit for the record as an exhibit a recent article on the subject from the Far Eastern Economic Review.

Without objection, it will be received.

[The document referred to was marked "Exhibit No. 2," for reference and follows:]

[Exhibit No. 2]

Crime: Chinese Laundry Blues

(By Mary Lee)

Hongkong.—The time-honoured phrase that money is the root of all evil can well be applied to Hongkong: an unquantifiable amount of the money with which the territory is awash is not only "hot" but downright dirty, according to the police, who have found that frenetic financial activities include the laundering of funds from drug trafficking.

The mud was stirred by United States Senator Sam Hayakawa on a fact-finding tour of Asia. "The monetary discussions in connection with shipping of drugs," he told a press conference, "are negotiated through Hongkong banks. One way of tracking such traffic is simply having legal rights to inspect large sums of money."

This illegal Chinese laundry is not a new business: it led the British to acquire Hongkong in 1841. British merchants engaged in the opium trade sold drugs from the Subcontinent to China through Hongkong. By the time the profits arrived back in Britain, they had been re-channelled into the silk and tea trade.

Drug trafficking has not been legal for decades, but the profits are still huge. Narcotics Commissioner Peter Lee said that up to HK $450 million (US $75 million) is spent on the streets by local addicts each year—and it all goes to criminals. This, however, is only part of the drug money which is floating around in Hongkong.

Money—regardless of its source—can easily be moved through Hongkong's financial institutions and 88,000 registered companies to make it untraceable to the narcotics trade. The same could be said of Singapore, where there are also no foreign-exchange controls. As one Hongkong Narcotics Bureau officer said: "Hongkong is a financial centre and a free port—there must be money coming through as a result of trafficking from the Golden Triangle [the border region of Thailand, Burma and Laos]."

How to break the financial structure of illegal drug trafficking is going to be one of the most discussed problems of the 1980s, said Assistant Secretary for Security (narcotics division) C. M. Leung. Narcotics Bureau officers add that the absence of a central banking system in Hongkong and the laissez-faire character of all business here makes it impossible to trace money used in criminal acts and to calculate the real assets of criminals. All too often, a narcotics officer said, the money comes back laundered to be invested in legitimate businesses.

"Once the money is re-invested, it would take enormous manpower and financial expertise to separate the amount used in drug trafficking from the rest of the company's assets and earnings," the officer added.

Sequestering all of a convicted trafficker assets is equally difficult, since the government may end up jeopardizing legitimate businesses and the jobs these provide. Moreover, the assets cannot be liquidated until all claims from innocent partners have been settled. The government could thus find itself liable to heavy claims for damages and compensation.

"We cannot operate like the Independent Commission Against Corruption [ICAC]," Leung said. ICAC officers can ask the courts to freeze a civil servant's assets and, by going through his official earnings, show how much of that is "unexplained" and presumed obtained through corrupt acts. A narcotics officer added: "We can only apply for a warrant to examine a suspected trafficker's bank account, but to trace it to specific transactions is like looking for the needle in the proverbial haystack."

Section 56 of the Dangerous Drugs Ordinance (DDO) empowers Hongkong courts to confiscate any funds or property used in or obtained through drug trafficking, regardless of whether anyone has been convicted of the offence. "But you really need a case, a conviction, in order to show that the assets have been laundered," the Narcotics Bureau officer said.

One case which illustrates the difficulty of sequestering drug funds is that involving the Ma brothers' syndicate, which police believe made hundreds of millions of dollars between the mid-1960s and mid-1970s. The Ma brothers, Sik-yu and Sik-chun, had various businesses (Ma Sik-chun was the former publisher of the mass-circulation *Oriental Daily News*. The Mas fled to Taiwan before they could be brought to trial (Review, Oct. 6, 1978). Any assets they may still have in

Hongkong cannot be touched by the authorities. Another more complicated case, laundering, is that involving trafficker Christopher Martin Johnstone, who was found murdered in England in October 1979.)

The Hongkong authorities are fully aware of how money is laundered by Southeast Asian Chinese. One method is to disguise drug funds as profits of a legitimate business. Property transactions can also be used to hide the source or direction of funds. A recent investigation by the bureau showed that a number of trading and investment companies, set up by families, remitted drug money from Hongkong to other Southeast Asian capitals through banks, gold traders and occasionally money couriers. "Windfalls" can also be attributed to winnings at horse races, casinos or lotteries.

Even if the elaborate laundering process is traced, little can be done without cooperation of Southeast Asian countries, the authorities say, since drug syndicates often have international connections. The Hongkong authorities are extremely reluctant to discuss this aspect of fighting the drug trade, maintaining that publicising obvious shortcomings in other countries' efforts does more harm than good.

An American banker in Hongkong said there was no way financial institutions like his could check the source of funds from a client whose name had surfaced in connection with an international trafficker but who was operating a legitimate business in Hongkong.

In contrast, the U.S. has a useful instrument to thwart transfers of illegal funds: foreign-exchange controls. U.S. federal law requires customs declaration of transfers of more than U.S. $5,000. "This is a deterrant," a Drug Enforcement Agency (DEA) official said. Another weapon, similar to, but more effective than, Section 56 of Hongkong's DDO is the Racketeer Influenced and Corrupt Organisations (Rico) Statute which allows seizure of all assets connected with drug trafficking.

The U.S. Customs, the Internal Revenue Service and the DEA have joined forces in "Operation Greenback," which checks for laundering of illegal drug profits. On August 20, Operation Greenback seized U.S. $8.2 million in cash from a bank and an office in Miami used by three Colombian officials suspected of drug trafficking. The Colombians have not yet been caught but the seizure has dealt a serious blow to drug rings attempting to move large amounts of currency through financial institutions in south Florida, federal agents said.

Meanwhile, the Hongkong Government is "looking at the Rico Statute," sources say, to see if it can be adapted for use locally. Sceptics feel, however, that as financial penalties already contained in the DDO are not meted out fully, there seems little point in adding to them. The maximum fine that can be imposed against a convicted trafficker is HK $5 million. So far the highest fine (against the wife of drug kingpin Ng Sik-ho) has been HK $1 million (Ng and his wife are serving 30 years in jail). Leung, however, added that the maximum fine may soon be raised to HK $10 million.

It is possible that the 50th general assembly of the international law-enforcement body Interpol in Nice in November will direct its attention to the laundering facilities in Hongkong. Delegates are likely to be told that even if the law were amended so that assets of convicted traffickers (including those held by proxies) would be confiscated unless it were proved that they were legally obtained, the financial and commercial structure of the economy makes the policing of drug funds a herculean task.

Narcotics Bureau officers maintain gloomily that unless there is an international equivalent of Operation Greenback, no major dents will be made in narcotics financing. Under these circumstances, they say, recent impressive seizures of drugs here amount to no more than trying to run up a long down escalator.

Chairman ROTH. Our first witness is Miss Hill.

Would you please rise and raise your right hand?

Do you swear that the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Miss HILL. I do.

Chairman ROTH. Please be seated.

Please proceed.

TESTIMONY OF ELEANORE J. HILL, ASSISTANT COUNSEL TO THE MINORITY, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Miss HILL. Thank you, Mr. Chairman.

I have a prepared statement which I understand will be a part of the record, and I would summarize portions of it.[1]

Chairman ROTH. Without objection.

Miss HILL. Over the last year, the minority staff of the Senate Permanent Subcommittee on Investigations has conducted an extensive inquiry on the trafficking of narcotics into the United States from Southeast Asia.

Our emphasis on the Southeast Asian region is in direct response to those trends and factors which, by all indications, will largely shape and determine the course of international heroin trafficking in the 1980's.

The area known as the Golden Triangle, encompassing Burma, Thailand, and Laos, has routinely produced an annual opium crop of approximately 500 tons. Serious droughts in both 1978 and 1979 severely diminished the area's crop to somewhere between 160 and 170 tons, and 225 and 250 tons for each of those years.

Forecasts for international heroin trafficking in the 1980's however, reflect law enforcement's belief that opium production will once again focus on the Golden Triangle.

Senator NUNN. Would you give us the page number you are on if you are on the regular statement, so we can follow?

Miss HILL. I started on page 1, and I will read portions of it—

Senator NUNN. When you go to the next page, like page 3, would you say what page you are on, so we can follow it?

Miss HILL. The drought which plagued the region in the late 1970's has apparently ended, with the 1980–1981 growing season witnessing the return of a normal rainy season. Stimulated by good weather and drought-induced high opium prices, opium farmers in the region have reportedly now seeded up to four times the growing areas devoted to the crop last year. With continuing prospects for good weather, law enforcement authorities now believe that the 1981 Southeast Asia opium crop could well exceed 600 tons.

Page 3: With that fact in mind, subcommittee staff sought an understanding of the narcotics problem based on indepth interviews with domestic as well as international sources.

Senator Nunn, as ranking minority member, as well as minority chief counsel Marty Steinberg, myself, and chief minority investigator Jack Key, personally visited the Southeast Asian region, including Japan, Korea, Thailand, Burma, Malaysia, Singapore, Indonesia, and Hong Kong, discussing international narcotics enforcement with local government officials as well as representatives of both the U.S. Drug Enforcement Administration and the State Department. In addition to the international aspects of the investigation, the staff explored the influx of Southeast Asian narcotics within the context of American law enforcement, including direct contact with authorities in both Hawaii and California.

At this stage I would like to summarize as to each country.

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[1] See page 393 for the prepared statement of Eleanore J. Hill.

Page 5, Japan: Japan itself does not currently have a major domestic heroin problem. By contrast, in the 1950's and 1960, the country did experience a serious problem with domestic heroin usage and addiction. Recognizing the problem, the Japanese took steps to eliminate it and, in fact, did so. However, today, Japanese authorities acknowledge that a serious problem does exist in the trafficking and domestic usage of methamphetamines. In 1980, Japanese law enforcement reported seizures totaling 250 pounds of methamphetamines. The Japanese methamphetamine trade, while not directly influencing the United States on a major scale, may well be providing valuable trafficking experience to a group which is widely recognized as having the greatest future potential for developing major heroin trafficking operations into the United States. Designated the Yakuza or Borykudan, the group is the Japanese equivalent of traditional American organized crime syndicates.

Page 7: Although Yakuza drug activity in Japan presently centers on the methamphetamine trade, there are growing indications that they have engaged in heroin trafficking in several instances.

Of even more immediate concern to American law enforcement has been the increasing presence and influence of the Yakuza in the United States.

Law enforcement authorities now believe that Japanese organized crime is successfully filtering large amounts of Yakuza money into legitimate businesses in the United States, in Honolulu and elsewhere.

Page 8: Numerous law enforcement authorities expressed to the subcommittee staff their belief that it is only a matter of time before the Yakuza groups become seriously involved in the smuggling of heroin into the United States from Southeast Asia.

Given their expertise and control of an established network for trafficking in methamphetamines, the heroin business presents a golden opportunity for future profit for the Yakuza.

Page 10, Thailand: Essentially a domestic producer of opium, poppy cultivation in Thailand today centers on what are commonly referred to as the "hill tribe villages" scattered throughout northern Thailand. Of 900 such villages in northern Thailand, at least 500 produce opium. Thai authorities estimate there are now approximately 400,000 people in the hill areas who have no other source of income besides opium.

Page 15: Undoubtedly, the most serious hindrance to successful crop substitution in Thailand has been the continual lack of support from the Thai law enforcement community. The single most important factor in effective crop substitution is consistency.

For the last 2 years in a row, there have been official Government announcements that opium crops in Thailand will be destroyed. In reality, nothing has happened.

Page 16: Official Thai Government policy rejects the widespread spraying of herbicides on the opium crop for a number of reasons. The Thais do not feel that spraying is a viable alternative inasmuch as the opium is routinely interspersed with a variety of other important crops. Moreover, the Thai people abide by Buddhist religious principles which strongly discourage the destruction of any form of life, including plant species.

Last, Thai authorities repeatedly expressed to the subcommittee staff their refusal to engage in a policy of spraying when, in fact, the United States itself does not do so.

Page 17: On an international level, opium grown and processed in makeshift heroin refineries in the Burmese hill country is continually funneled through Thailand by expert traffickers not the least of which are the "opium war lords" of northern Thailand. These individuals are the leaders of identifiable insurgent groups which have historically divorced themselves from the central governments in both countries.

Thailand has traditionally justified its past refusal to move against these groups as necessary to preserve an effective buffer zone against the revolutionary and Communist-backed forces.

Page 19: There is now outstanding a Thai warrant for the arrest of Chang Chi-fu, leader of the Shan United Army and principal opium war lord in Thailand. That warrant has, however, been pending since July 10, 1980.

The Thai Government did undertake one operation against Chang Chi-fu and the Shan United Army without success.

The details of the operation were apparently leaked to Shan United Army forces. That episode underscores the extent of official corruption in Thailand, a problem which was repeatedly voiced to subcommittee staff.

One Thai law enforcement official told the staff that of 300 men under his direct command, he felt that he could trust only 8 of them with sensitive law enforcement information.

Page 21: One further problem in the narcotics area has stemmed from the historical lack of cooperation and mistrust between the Thais and the Burmese. There exists today an absolute lack of any joint effort by the two countries to attack the heroin problem which is centered in and around their mutual border.

Page 23: Regarding the Shan United Army, Thai officials repeatedly told the subcommittee staff that if the United States sincerely desires Thai military action against the Shan United Army, there must be an accompanying agreement by the United States to back the Thais in that effort and in any resulting attacks on Thai domestic security.

Page 24: Moreover, Thai authorities repeatedly told the subcommittee staff that they simply do not believe that the United States is serious about narcotics, given recent DEA budget cuts. Equally frustrating and equally incomprehensive to Southeast Asian authorities in Thailand and elsewhere are bail, parole and sentencing policies in the United States. Thai authorities see judicial leniency to American drug offenders as further proof that the United States has little or no concern for narcotics enforcement. Talk of the proposed FBI–DEA merger has also reached Southeast Asia. Government and law enforcement officials in those countries see that merger not as a routine budget measure, but rather as a certain downgrade or elimination of DEA. Those factors, coupled with the budget-induced recall of DEA's Bangkok-based Southeast Asian regional director to Washington, have resulted in a Southeast Asian belief that the United States is not seriously concerned about the war against drugs.

Thai authorities told the subcommittee staff that they currently believe that they can no longer rely on the word of locally stationed

DEA personnel because "They are going back to Washington very soon."

[At this point Senator Chiles entered the hearing room.]

Miss HILL. Burma, page 26: Burma is the major opium producer in the Golden Triangle, standing at approximately 600 metric tons.

A significant portion of the mountainous areas that are on the northern and eastern border of Burma, are outside the control of the Burmese Central Government. Known as the Shan State, this is the area where the majority of opium is, in fact, produced. Since the revolution of 1962, various private armies have been in a constant state of insurgency against the central government of General Ne Win. The most serious threat of these insurgencies comes from the Burmese Communist Party, referred to as BCP, which controls the majority of the poppy-growing areas in the Shan State.

In the past, the BCP has received considerable support from the People's Republic of China. However, this support has been steadily declining during the past several years. As a result, the BCP is playing an even more active role in opium smuggling in order to finance its current activities.

The Burmese Government has resisted suggestions that herbicidal spraying be used in the opium-growing areas. Burmese Government officials did visit Mexico in order to personally examine spraying efforts in that country. They returned essentially unconvinced.

Burmese are fearful that spraying would harm not only opium but other important crops as well, particularly given the interspersed planting patterns employed by Burmese farmers. Moreover, like the Thais, the Burmese adhere to Buddhist tenets which prohibit the destruction of any form of life, whether it be animal or plant.

Burmese officials, nevertheless, told the subcommittee staff that they remained willing, at least, to listen to American suggestions for spraying.

Page 30: The Shan United Army is, as in Thailand, the most important narcotics organization in Burma. This 3,500-man organization was outlawed by the Burmese Government in 1971. Burma's officials are wary of the Thais since the Shan United Army's headquarters is, in fact, only 10 kilometers south of the Burmese border in Thailand. They cannot understand how Chang Chi-fu can freely move in and out of Thailand and not be arrested on the outstanding Thai arrest warrant.

Burmese officials told the subcommittee staff that if Thailand was serious about controlling the narcotics trafficking problem, Thai authorities would promptly arrest Chang Chi-fu.

Page 33: Since 1975, the United States has supported Burmese narcotics control efforts by providing helicopters and fixed-wing aircraft, communications equipment and associated training and equipment-maintenance support. American Embassy personnel in Rangoon urged subcommittee staff that the United States provide Burma with financial assistance so that the nation can buy several C-130 aircraft for use in narcotics enforcement.

Officials also recommended that the United States consider some sort of aid designed to assist the building of an effective road system into the opium-growing portions of the country. There can be no long-term solution to the narcotics problem without some effective system of access to those producing areas.

Malaysia, page 36: Malaysia, while not an opium producer, suffers the heroin trade in two respects: As a conduit for trafficking chemicals into Thailand and heroin out of Thailand and as the home for a large addict population. While the Muslim Malays dominate Malaysian government, an active Chinese minority, in fact, operates the country's economic and business life. By analogy, the Malay youth constitute a great majority of the addict population estimated to be as large as 400,000, while the Chinese employ their business expertise to dominate the heroin trafficking trade through Malaysia.

Page 38: In the northern area of the country, the Thai-Malaysian border is a recognized avenue for the importation of drugs, particularly heroin and morphine. On the Thai side of the border, there is little, if any, continuous governmental presence.

The area, in fact, is heavily populated with Communist and Muslim terrorist groups.

On the Malaysian side of the border, by contrast, the Malaysian Government has constructed 25½ miles of 12½ foot high barbed wire fence along the border to deter the smuggling of both drugs and guns.

Page 40: Malaysia itself serves as the principal channel for the importation of acetic anhydride into Thailand for use in producing heroin. Acetic anhydride may be legally imported into Malaysia by anyone who possesses a government-issued class A chemical permit.

The exportation of acetic anhydride from Malaysia is presently free of governmental control and restriction. Malaysian authorities justify their refusal to restrict exportation of the substance on the fact that the chemical is routinely used for a large number of legitimate commercial purposes in Malaysia, including photography and textile bleaching.

Page 43: As in Thailand, the subcommittee staff was told time and again by Malaysian authorities that the sincerity of American narcotics efforts is in doubt given our lenient treatment of drug offenders, light sentencing and easy parole terms. This was in stark contrast to the Malaysian policy of strict enforcement of all criminal laws.

Hong Kong: Hong Kong has long been considered the financial and economic marketing center of the East. As drug trafficking has boomed financially, Hong Kong has been suggested as a mushrooming financial hub for the narcotics trade.

Page 46: Ninety-nine percent of drugs entering Hong Kong come via Thailand. Reflecting the presence of a bumper opium crop, Hong Kong this year experienced an increase in the flow of drugs into the colony. From January through June of 1981, Hong Kong authorities had made seizures of 123 kilos of narcotics.

Page 47: Hong Kong has, in many areas, proven to be a leader in the employment of new legal and operational law enforcement techniques in Southeast Asia. In contrast to Thailand and Malaysia, the police in Hong Kong have successfully used conspiracy law against syndicates operating in the colony within the past few years.

As a result, they have secured convictions in a number of cases without the actual seizure of drugs, a rarity in Southeast Asian narcotics enforcement. Equally praiseworthy have been the efforts of Hong Kong authorities in the tracing of narcotics profits through various financial institutions.

Aside from the legitimate banking system, Hong Kong provides another avenue for the laundering of narcotics money, the Chinese underground banking system. Authorities have established that 15 out of the top 20 narcotics traffickers in Singapore are clients of a single underground organization for the laundering of money out of Hong Kong.

The great majority of money filtered through this system is destined for Thailand.

Page 50: In the transfer of narcotics money, Hong Kong serves as a sort of corporate headquarters for Southeast Asia. Decisions as to the transfer of money are made in Hong Kong and its financial network serves as the actual conduit for the money into other countries.

Page 51: In 1959, Hong Kong was publicly reported to have a quarter of a million domestic addicts, the highest per capita addict population in the world. In response to that announcement, Hong Kong has now developed probably the most comprehensive drug education and rehabilitation program in all of Southeast Asia, including a highly successful system of voluntary registration, treatment, and preventive education.

That concludes my remarks on the countries.

I would like to move on to our conclusions as a result of this investigation.

In closing, we would suggest that in shaping congressional action in this area, the subcommittee should consider the following points, and I am beginning on page 57:

No. 1, political and law enforcement interests have at times competed, if not conflicted, in the area of international narcotics. The United States cannot divorce domestic drug concerns from foreign policy considerations and hope to succeed in the war against international narcotics trafficking. There must be a unified and comprehensive American position as to both politics and enforcement in dealing with each of the producing and trafficking nations.

The United States should, as part of its diplomatic policy, make it abundantly clear that it will deal substantially different with those countries who are unwilling to assist us in international narcotics enforcement.

Two: As part of that unified stance, the United States should take measures to insure a singular purpose and the close coordination of efforts by American agencies abroad vested with narcotics responsibility.

The questions of narcotics enforcement and intelligence abroad are currently handled by as many as three separate American agencies stationed in a single foreign nation: The State Department, the Drug Enforcement Administration and the Central Intelligence Agency.

As a result, there have been instances where our narcotics efforts have suffered as a result of lack of coordination and/or duplication of effort among agencies.

Three: There is a widespread belief among foreign governments in producing and trafficking nations that the U.S. Government and the American people are not sincerely committed to the war against drugs. That attitude has, to a great degree, resulted from a belief that the American criminal justice system is characterized by unreasonably lenient bail, sentencing and parole policies toward narcotics offenders.

Four: The belief that the United States is unconcened about drugs has been bolstered by recent budget-induced cuts in the presence of American narcotics aid and personnel abroad. Moreover, foreign officials view proposals to merge DEA with the FBI as conclusive proof that American efforts against drugs are on the decline.

Unless and until foreign governments again recognize an American commitment in this area, international narcotics enforcement will suffer.

Five: There are two other recurring concerns which lead foreign officials to doubt the sincerity of American narcotics efforts. Foreign officials have strongly criticized American efforts to secure leniency for American drug offenders imprisoned overseas as well as the failure of the American military to become actively involved in narcotics enforcement.

Presently Senator Nunn and other Senators have introduced legislation in both of those areas, bail and sentencing as well as posse comitatus.

Six: The international narcotics trade prospers through the laundering and transfer of narcotics profits via international financial channels. Joint international investigations of such transfers, if successful, can, in fact, significantly decrease current economic incentives for narcotics trafficking. The United States should attempt to negotiate mutual assistance, extradition, and tax treaties with producing and trafficking and financial nations in an effort to encourage and facilitate further financial tracing of narcotics profits and more effective narcotics efforts.

Seven: Burma, as the major opium-producing nation in Southeast Asia, has now indicated a sincere determination to attack the opium problem in the context of extremely limited resources. The United States should consider (1) securing some type of concessional financing by which the Burmese can obtain C–130 aircraft for use against opium production; and, (2) the commitment of American aid, vis-a-vis financing and/or technical advice and assistance to Burma for the development of roads into the opium-growing areas.

Eight: A major hindrance to narcotics enforcement in Southeast Asia has been the lack of cooperation between Thailand and Burma.

The United States should make every effort to impress upon those governments the importance of their joint and coordinated efforts in the war against heroin trafficking.

Nine: Many of the legislative and law enforcement techniques which have proven so successful against narcotics in the United States have yet to be extensively employed in Southeast Asia. The State Department and DEA should pursue efforts to make available to Southeast Asian nations information and training in legislative and operational techniques employed in American narcotics enforcement.

Ten: The relatively free trade of acetic anhydride and other precursor chemicals used in the production of illegal drugs undoubtedly contributes to the success of international narcotics trafficking. The State Department should seek international agreements with those affected countries for restraints in the production and distribution of acetic anhydride and other precursor chemicals.

Eleven: The United States should attempt to assist the producer nations in finding a safe and effective method of drug eradication which is geared to that nation's specific problems.

Twelve: In the context of the recent glut of Southeast Asian heroin and the potentially vast American market for that heroin, the increasing presence of and financial investment by the Japanese organized crime group, the Yakuza, in the United States is particularly alarming. That group now has perhaps the single greatest potential for developing major heroin networks into the United States from Southeast Asia.

American law enforcement should work to develop a greater awareness of that group in an effort to monitor and prevent the possibility of future heroin trafficking by the Yakuza into the United States.

Thirteen: In the face of a large population of heroin addicts, the Hong Kong Government has devoted considerable effort to the development of a comprehensive and effective program of voluntary addict registration, treatment and preventive drug education.

Their program has been exemplary in this area. The United States, in its efforts to solve the problem of narcotics demand within this country, should closely consider the efforts and the experience of the Hong Kong program.

Mr. Chairman, that concludes my statement.

Thank you.

Chairman ROTH. Do you have any questions?

Senator NUNN. I want to thank Eleanore for her very comprehensive statement. I know that she and Jack Key have worked on it for a number of months starting early this year and made extensive travels in this year.

I think it is a very, very comprehensive statement that will be of immense benefit to this subcommittee and other committees in considering solutions.

I have one question, and that is on the last, No. 13, recommendation 13 about registration, treatment, and preventive drug education. Is this what we would call compulsory rehabilitation? When they find an addict in Hong Kong, are they compelled to undergo treatment?

Miss HILL. Senator, it is a voluntary registration program and once they register, then they go through the treatment program. But the registration is not compulsory to begin with.

In other words, the addict can or cannot register with the program. Once they register, Hong Kong has a treatment program with methadone. They also have a registry of addicts which follows the addicts with profiles and keeps statistics on the average age and what the addict population is like, their progress and that sort of thing. It helps both ways. It helps the government and the authorities in keeping a handle on what the addict problem is in the country and what the target groups are and people most likely to use heroin in the country, and also it helps the addict. It is not compulsory initially. Once they enter the program, they are supposed to follow ahead with the rehabilitation.

Senator NUNN. What if they find someone who has not registered but is involved in a crime or for some other reason comes to the attention of the authorities, do they then compel rehabilitation or is it strictly a voluntary act?

Miss HILL. Registration is still voluntary.

Senator NUNN. Let's assume an addict comes to the attention of the authorities, has not registered, doesn't intend to, and doesn't register, do they do anything about that addict?

Miss HILL. My understanding is that that would happen, if in a particular instance, given the judge or criminal case, it would be compelled as part of the probation or sentence, but the addict program is separate from the law enforcement aspect of it.

Senator **Nunn**. Do you think these countries have compulsory rehabilitation?

Miss **Hill**. Yes, your honor—excuse me.

Senator **Nunn**. That's all right, I like that.

Miss **Hill**. I am used to the courtroom.

Hong Kong does not have that. I believe in Burma they have compulsory rehabilitation and also have it in Malaysia.

Senator **Nunn**. Does it work anywhere else in the world—I have heard varying reports on that—or did you get into that enough to make a judgment?

Miss **Hill**. The Hong Kong program has been very successful. They believe they have significantly reduced the addict population in the country. The Malaysians are very proud of their program. They have devoted a considerable amount of resources to their program, particularly because they had such a large addict population and it was a political problem in the country, also.

In Malaysia, it is compulsory. They have taken it to such degree that they have sort of coordinated their education and rehabilitation program with their prison system in that they have separate prisons for youthful offenders on drug offenses where only young offenders in drug-related crimes are housed in one prison, and the prison not only serves the punishment purpose of the criminal system, but it also has rehabilitation efforts within the center.

Senator **Nunn**. Do they incarcerate noncriminal addicts?

Miss **Hill**. In Burma, I believe—I don't believe they incarcerate them, no, Senator, to my knowledge.

Senator **Nunn**. I would like for you to followup on this and determine exactly what is done in each country. I had heard there was compulsory rehabilitation in Japan for quite a while.

Miss **Hill**. I believe in Japan they might have done that. Japan originally had a very bad heroin problem and they employed the full forces of the Japanese narcotics authorities in eliminating it in the fifties and sixties and, in fact, did so.

My understanding of the program was that it was a double thing. It was not only the enforcement efforts, so far as interdiction and that type of thing, but it was also a very compulsory rehabilitation treatment program and that type of thing and they did, in fact, succeed in Japan.

Senator **Nunn**. If you could supplement for the record information on the countries that have undertaken comprehensive treatment programs, whether they are compulsory or not, and give us a rundown on their success rates, if any, compare that to what we do in this country. I am not looking for an extensive document, but rather just a summary.

Miss **Hill**. We can do that, Senator. We have some materials that the Hong Kong people did provide us, booklets and brochures which outline the entire program. They spent a considerable amount of time and effort on their program.

Senator **Nunn**. Also there was a study in this country in the last year that indicated the number of crimes committed by a select number of addicts in this country over a 10- or 11-year period. I would like for you to submit that for the record, too. It comes to mind it was something like 250 addicts that committed something like 500,000 crimes over an 11-year period.

I would like to get the exact study, who made it, and so forth, and put it in the record at this point.

Thank you, Mr. Chairman.

[The information to be furnished follows:]

HEROIN ADDICTION AND STREET CRIME

(By James A. Inciardi)

The relationship between heroin use and street crime has been studied for the better part of this century, but the findings have been inconclusive. Research in this area has been limited to analyses of criminality in terms of arrest data, and samples have been drawn only from officially known populations of drug users. The present study focuses on a sample of 356 active heroin from Miami, Florida, and data have been collected describing their officially known and self-reported criminal activity. The data indicate that, while active heroin users are heavily involved in street crime, any relationship between drug use and crime is much more complex than has been generally believed. The findings of the research suggest that the wrong questions may have been asked in previous studies of the drugs/crime nexus.

The relationship between heroin use and street crime represents an issue that has long been studied, argued, and reexamined—yet few definitive conclusions are apparent today. For more than six decades, researchers and opinion makers have addressed the subject, asking such questions as: Do heroin use and addiction cause crime? If so, what ought to be done to manage the problem? Much of the research on this has attempted to determine the sequence of heroin use and criminal activity. Does addiction per se lead the user into a life of crime, or do the demands of the addict's life-style force him into criminal behavior? Or, alternatively, is heroin use simply an additional pattern of deviant activity manifested by an already criminal population. The catalog of research has been impressive, at least in terms of sheer quantity.[1]

The findings that have emerged, however, have led to a series of peculiar and contradictory perspectives. Some researchers have found that the criminal histories of their sample cases considerably preceded any evidence of drug use; thus, their conclusion has been that the heroin user is indeed a criminal, and should be treated as such. Others have found in their data that the sequence is in the reverse direction, and have offered us an "enslavement theory" of addiction. Within this perspective, it is suggested that the monopolistic controls over the heroin black market have forced the otherwise law-abiding user into a life of crime in order to support his habit. The answer to the "problem" is simple: Legalize heroin, and the need for crime is removed. And still a third group finds conflicting data: Some members of the samples were drug users first, other members were criminals first, and still others embraced both drug use and crime simultaneously. The conclusion here is that heroin use and crime may not be related at all, but instead result from some third, unknown variable, or some complex set of factors that pervade the user's operating social milieu and greater environment.

Yet any conclusions, hypotheses, and theories from these efforts become meaningless when one considers the awesome biases and deficiencies in the information that has been generated. Data-gathering enterprises on criminal activity have usually restricted themselves to the heroin users' arrest histories, and there can be little argument as to the inadequacy of official statistics as measures of the incidence and prevalence of criminal behavior. Those studies that have gone beyond arrest figures to prove self-reported criminal activity invariably have been limited to small samples of either incarcerated heroin users or users placed in treatment programs. And the few efforts that have been made to locate active heroin users have generally examined their samples' drug-taking behaviors to the exclusion of their drug-seeking behaviors.

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[1] For annotated bibliographies and analyses of these studies, see Research Triangel Institute, *Drug Use and Crime* (Springfield, Va.: National Technical Information Service, 1976); Gregory A. Austin and Daniel J. Lettieri, *Drugs and Crime: The Relationship of Drug Use and Concomitant Criminal Behavior* (Rockville, Md.: National Institute on Drug Abuse 1976); S. WW. Greenberg and Freda Adler, "Crime and Addiction: An Empirical Analysis of the Literature, 1920–1973," *Contemporary Drug Problems*, vol. 3 (1974), pp. 221–70; and James A. Inciardi, "The Villification of Euphoria: Some Perspectives on an Illusive Issue," *Addictive Diseases*, vol. 1 (1974), pp. 241–67.

In an effort to generate a preliminary and more realistic data base descriptive of the criminal activities of active heroin users, the present study focused during a twelve-month period ending in 1978 on the street community as an information source, using active cases in Miami, Florida.[2]

METHOD

The peculiar life-style, illegal drug-taking and drug-seeking activities, and mobility characteristics of active drug users precludes any examination of this group through standard survey methodology. A sample based on a restricted quota draw was rejected in favor of one derived through the use of a sociometrically oriented model.

In the field site, the author had established extensive contacts within the subcultural drug scene. These represented "starting points" for interviewing. During or after each interview, at a time when the rapport between interviewer and respondent was deemed to be at its highest level, each respondent was requested to identify other current users with whom he or she was acquainted. These persons, in turn, were located and interviewed, and the process was repeated until the social network surrounding each respondent was exhausted. This method, as described, restricted the pool of users interviewed to those who were currently active in the given subcultural knit in the street community and who were "at risk." In addition, it eliminated former users as well as those who were only peripheral to the mainstream of the subcultural half world.

This selection plan does not guarantee a totally unbiased sample. However, the use of several starting points within the same locale eliminated the difficulty of drawing all respondents from one social network. Confidentiality was guaranteed to the respondents, interviewing was done in an anonymous fashion, and each respondent was paid a fee for participating.

This sampling technique resulted in an initial study population of 356 heroin users (see Table 1) who were active in the free community at the time of the interview. Not unlike other populations of drug users, most of the sample cases were males (67 percent), and the majority of both the males and females were unemployed whites, clustered in the eighteen- to thirty-four-year-old age group (see Table 1). Males and females did, however, evidence many pronounced differences in their criminal career patterns.

TABLE 1.—SELECTED CHARACTERISTICS OF 356 ACTIVE HEROIN USERS

Characteristics	Males (n=239)	Females (n=117)
Age:		
17 and under	0.8	3.4
18 to 24	19.2	34.2
25 to 34	64.0	51.3
35 to 49	14.2	9.4
50 and over	.8	1.7
Median (years)	27.9	26.9
Ethnic background:		
White	52.3	55.6
Black	33.5	24.8
Hispanic	14.2	16.2
Other		3.4
Years of school (median)	11.8	11.7
Employment status:		
Currently employed	49.3	41.9
Unemployment	48.5	53.8
Not in labor force	2.2	4.3
Marital status:		
Never married	45.6	46.2
Married	25.9	13.7
Divorced separated	26.4	36.8
Widowed	1.7	2.6
No data	.4	.9

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[2] These data were generated by DHEW grant No. 1-R01-DA-0-1827-02, from the Division of Research, National Institute on Drug Abuse.

DRUG USE PATTERNS

The heroin users sampled in this study had long histories of multiple drug involvement, following clear sequential patterns of onset and progression. Both male and females began the use of drugs with alcohol. Their first experiences with alcohol intoxication occurred at median ages of 13.3 and 13.9 years, respectively, with 39.9 percent of the males and 21.4 percent of the females having such an experience before age 12. Furthermore, as indicated in Table 2, progression into the other major drugs followed identical sequential patterns for both sexes. For example, based on median ages of onset, alcohol use was followed by initial drug abuse experimentation at 15.2 years of age, followed by marijuana use, barbiturate use, heroin use, and cocaine use:

TABLE 2.—DRUG USE HISTORIES

Drug use characteristics	Males (n=239)	Females (n=117)
Age of first alcohol use (median)	12.8	13.8
Age of first alcohol high (median)	13.3	13.9
Ever used alcohol (percent)	95.8	98.3
Age of first drug (excluding alcohol) use (median)	15.2	15.2
Age of first marihuana use (median)	15.5	15.4
Ever used marihuana (percent)	99.2	99.1
Age of first barbiturate use (median)	17.5	17.0
Ever used barbiturates (percent)	84.9	88.0
Age of first heroin use (median)	18.7	18.2
Age of first cocaine use (median)	19.7	18.7
Ever used cocaine (percent)	92.9	92.3
Median number of drugs ever used[1]	10.3	10.5
Median number of drugs "currently" being used[2]	5.0	5.6
Ever treated for drug use (percent)	56.9	56.4
Currently in treatment (percent)	.4	.9

[1] Includes alcohol, heroin, other narcotics, sedatives, stimulants, antidepressants, hallucinogens, analgesics, and solvents/inhalants.

[2] "Current" use refers to any intake during the 90 days before the interview.

Substance	Median onset age	
	Males	Females
Alcohol use	12.8	13.8
Alcohol intoxication	13.3	13.9
First drug abuse	15.2	15.2
Marihuana use	15.5	15.4
Barbiturate use	17.5	17.0
Heroin use	18.7	18.2
Cocaine use	19.7	18.7

Curiously, while the females began their careers of substance use one year later than the males, their progression was more rapid and the extent of their drug involvement seemed to be greater. A median of 5.9 years separated the males' initial alcohol experimentation from their first use of heroin at age 18.7. With females, the onset of heroin use was at age 18.2, only 4.4 years after the first use of alcohol. Furthermore, as is shown in Table 2, the females were using a slightly wider variety of drugs than were the males.

CRIMINAL HISTORIES

Early involvement in criminal activity was characteristic of the great majority of the sampled heroin users. As shown in Table 3, 99.6 percent of the males and 98.3 percent of the females reported having ever committed a crime, with the median age of the first criminal act preceding the sixteenth year. The first crimes committed were generally crimes against property, although the specific kind of property crime varied between males and females.

As shown in Table 3, burglary was cited most often by males as the first crime (25.1 percent), followed by shoplifting (20.1 percent), other larcenies (11.7 percent), and drug sales (10.0 percent). In contrast, 38.5 percent of the females reported shoplifting as their first offense, followed by prostitution (18.8 percent) and drug sales (12.8 percent). It might also be noted here that the proportion reporting vehicle theft as the first crime was ten times higher among males than among females; the percentage of violent crime (robbery and assault) was also higher among the male group. For example, while 15.4 percent of the males specified robbery or assault as the first criminal offense, only 6.0 percent of the females indicated one or the other as the first offense.

TABLE 3.—CRIMINAL HISTORIES

Criminal characteristics	Males (n=239)	Females (n=117)
Ever committed offense (percent)	99.6	98.3
Age of first crime (median)	15.1	15.9
First crime committed (percent):		
Robbery	7.9	3.4
Assault	7.5	2.6
Burglary	25.1	5.1
Vehicle theft	9.2	0.9
Shoplifting	20.1	38.5
Other theft/larceny	11.7	6.9
Prostitution		18.8
Drug sales	10.0	12.8
Other/no data	8.1	9.3
Have arrest history (percent)	93.7	83.8
Age at first arrest (median)	17.2	18.3
Total arrest (median)	3.5	2.6
Ever incarcerated (percent)	81.2	62.4

Most of the heroin users studied here had arrest histories, but these typically began more than two years after the initiation of criminal activity (Table 3). Some 93.7 percent of the males reported having been arrested at least once, with the first arrest occurring at a median age of 17.2 years. Slightly fewer females (83.8 percent) had arrest histories, with the initiation into criminal justice processing beginning at a median age of 18.3 years. The data also indicate that the males had more frequent contacts with the criminal justice system (Table 3). The median number of arrests for the males was 3.5, with 81.2 percent having histories of incarceration. In contrast, the females reported a median of 2.6 arrests, with 62.4 percent having been incarcerated. Such differences might be explained by the younger age at which the males initiated their criminal activity and arrest histories, or by the slightly younger age of the female group. However, the expanded arrest figures below, reflecting the nature of the various arrests, may suggest the somewhat more serious, and hence more visible, nature of the males' criminal involvement. For example—

Nature of arrest	Median number of arrests	
	Males	Females
Crimes against property	1.6	0.5
Crimes against persons	.3	.2
Drug law violations	1.4	.8
Public order crimes	.2	1.1

While the male arrest data reflect a greater involvement in crimes against the person, property, or drug laws, the females were more often arrested for the less serious crimes against the public order, primarily prostitution. This would account for the higher rate of incarceration among the male group.

PATTERNS OF DRUG USE SUPPORT

As indicated below, the heroin users reported a wide variety of sources of support for both their general economic needs and their drug use. For example—

[In percent]

Source of income	Males	Females
Family, friends	12.5	31.6
Legal employment	49.4	43.6
Public assistance	20.0	18.8
Criminal activity	97.4	94.9

While more than 90 percent of both groups relied upon criminal activity as a means of income, most had a second source of funds. However, some 98.7 percent of the males and 96.6 percent of the females reported some form of illegal activity during the twelve months before the interview, and more than 80 percent of this criminality was for drug use support (80.5 percent for males, 87.7 percent for females).

CURRENT CRIMINALITY ACTIVITY

The data on current criminal activity clearly demonstrate not only that most of the heroin users were committing crimes, but also that they were doing so extensively and for the purpose of drug use support. Initially, some 98.7 percent of the males reported committing crimes during the twelve-month period prior to interviewer contact, with a median of 80.5 percent of such criminality undertaken for the purpose of supporting a drug habit.

As indicated in Table 4, the 239 male heroin users reported committing 80,644 criminal acts, averaging some 337 offenses per user. While this might be viewed as an astronomical sum, one must consider the relative proportions for each crime category. The violent crimes of robbery and assault, although reaching the considerable figure of almost 3,500, nevertheless represent only 4.3 percent of the total. Similarly, property crimes, while including some 17,846 thefts of various types, account for less than 25 percent of the total figure. On the other hand, a clear majority of the crimes by male heroin users were crimes without victims: Almost 60 percent of the criminal behavior reported here was drug sales, prostitution, gambling, and alcohol offenses, with an additional 8.1 percent of criminal activity involving the buying, selling, or receiving of stolen goods—a secondary level of criminality resulting, in most instances, from the users' initial involvement in property crimes.

TABLE 4.—CRIMINAL ACTIVITY DURING PAST 12 MO, 239 ACTIVE MALE HEROIN USERS

Crime	Total offenses	Percentage of total offenses	Percentage of sample involved	Percentage of offenses resulting in arrest
Robbery	3,328	4.1	46.9	0.3(n=11)
Assault	170	<.2	20.9	.65(n=1)
Burglary	4,093	5.1	69.0	.75(n=30)
Vehicle theft	398	.5	22.6	.55(n=2)
Theft from vehicle	877	1.1	29.3	.75(n=6)
Shoplifting	9,685	12.0	59.4	.25(n=15)
Pickpocketing	11	<.1	.8	
Prostitute theft	62	<.1	1.3	1.65(n=1)
Other theft	1,009	1.3	35.1	.55(n=5)
Forgery/counterfeiting	1,711	2.1	40.2	.45(n=6)
Con games	1,267	1.6	30.1	
Stolen goods	6,527	8.1	59.4	<.15(n=3)
Prostitution	2	<.1	.4	
Procuring	2,819	3.5	30.5	<.15(n=1)
Drug sales	40,897	51.0	91.6	<.25(n=93)
Arson	65	<.1	2.9	
Vandalism	58	<.1	8.8	1.75(n=1)
Fraud	185	.2	12.1	1.15(n=2)
Gambling	6,306	7.8	38.5	<.15(n=3)
Extortion	648	.8	10.0	
Loan sharking	463	.5	13.0	
Alcohol offenses	58	<.1	6.3	10.35(n=6)
All other	5	<.1	2.1	60.05(n=3)
Total	80,644	100.0	100.0	.2(n=189)
Mean number of offenses per subject	337			

These comments are not intended to minimize the amount of serious crime among heroin users. Rather, they emphasize that such criminality is more often victimless crime than predatory crime. On the other hand, these data also indicate that male heroin users have diverse criminal careers. Almost all (91.6 percent) were involved in the sale of drugs; almost half (46.9 percent) also engaged in robberies, 59.4 percent also engaged in shoplifting, and more than two-thirds (69.0 percent) were also burglars. It might also be added here that 42.7 percent of these subjects used weapons during the commission of all or some of their crimes, the usual weapon being a handgun.

Strikingly, the incidence of arrest among these 239 male heroin users was extremely low. Of the 80,644 reported crimes, only .2 percent (*n*=189) resulted in arrest. More specifically, consider the following ratios of crimes committed to ensuing arrests:

Crimes against persons	293 : 1
Crimes against property	273 : 1
Drug sales	440 : 1
Forgery/counterfeiting	285 : 1

In sum, considering all crime categories, one arrest occurred for every 427 crimes committed, with the highest proportion of arrests following alcohol offenses, fraud, vandalism, and prostitutes' theft from clients; the lowest levels of arrest were in cases of extortion, loan sharking, prostitution and procuring, pickpocketing, con games, arson, and dealing in stolen goods.

The level of criminal involvement among the female heroin users was also high, but with a different pattern (see Table 5).

TABLE 5.—CRIMINAL ACTIVITY DURING PAST 12 MO, 117 ACTIVE FEMALE HEROIN USERS

Crime	Total offenses	Percentage of total offenses	Percentage of sample involved	Percentage of offenses resulting in arrest
Robbery	573	1.5	17.1	0.5(n=3)
Assault	26	<.1	7.7	11.5(n=3)
Burglary	185	.5	20.5	1.1(n=2)
Vehicle theft	5	<.1	1.7	----------
Theft from vehicle	182	.5	18.8	.5(n=1)
Shoplifting	5,171	13.8	70.1	.3(n=13)
Pickpocketing	162	.4	4.3	----------
Prostitute theft	1,345	3.6	51.3	----------
Other theft	182	.5	20.5	.5(n=1)
Forgery/counterfeiting	888	2.4	29.9	.3(n=3)
Con games	251	.7	17.1	----------
Stolen goods	1,006	2.7	36.8	<.1(n=4)
Prostitution	14,307	38.2	72.6	.3(n=37)
Procuring	1,153	3.1	23.1	----------
Drug sales	11,289	30.1	81.2	.2(n=23)
Arson	88	.2	3.4	----------
Vandalism	3	<.1	1.7	----------
Fraud	34	<.1	6.0	----------
Gambling	574	1.5	22.2	----------
Extortion	41	.1	4.3	----------
Loan sharking	1	<.1	9	----------
Alcohol offenses	22	<.1	6.8	22.7(n=5)
All other	2	<.1	1.7	100.0(n=2)
Total	37,490	100.0	100.0	.3(n=97)
Mean number of offenses per subject	320	----------	----------	----------

Some 96.6 percent of the females reported the commission of crimes during the twelve months preceding the interview, with a median of 87.7 percent of the criminal activity engaged in to support a drug habit. The 117 female heroin users admitted responsibility for 37,490 crimes, with prostitution and drug sales accounting for more than two-thirds (68.3 percent) of the total. Like the males, the female group manifested considerable diversity in their offense behavior, with 81.2 percent admitting drug sales, 72.6 percent engaging in prostitution, 70.1 percent reporting shoplifting, and 51.3 percent indicating prostitute theft. Fewer females participated in crimes of violence, and, while many engaged in burglary and other types of theft, such larceny was notably less frequent than among males. Females, however, tended to be arrested more frequently than males during this twelve-month study period, with a ratio of 1 arrest for every 387 crimes committed. The highest rates of arrest involved assaults and alcohol; most arrests were for prostitution and drug sales; no arrests resulted from 1,345 cases of prostitution theft; and the ratio of shoplifting crimes to arrests was 398:1 for the more than 5,000 cases.

Finally, fewer females used weapons during all or part of their offenses (18.8 percent), with the most common weapon being a knife rather than a gun.

DISCUSSION

These data suggest a number of considerations and implications relevant to the relationship between heroin use and crime, while at the same time indicating several areas for further research.

First, the data document a high incidence and diversity of criminal involvement among both male and female heroin users. The 356 persons studied here reported involvement in a total of 118,134 criminal offenses during a twelve-month period most of these offenses committed for the purpose of supporting the economic needs of a drug-using career. Furthermore, while most of the criminal offenses were what are often referred to as victimless crimes, the 356 respondents were nevertheless responsible for some 27,464 instances of what the Federal Bureau of Investigation designates as index, or serious, crimes.[3] Numerous differences are apparent between males and females in this regard, with the males manifesting a greater involvement in predatory crime, especially violent predatory crime; however, the data also demonstrate that heroin users of both sexes manifest considerable participation in many different levels of criminal activity.

Second, it is evident in these data that arrest rates among heroin users are low. The 118,134 criminal events reported here resulted in a total of only 286 arrests, or a ratio of 1 arrest for every 413 crimes committed; with respect to more serious index crimes, there was a ratio of 1 arrest for every 292 crimes. This low level of arrest is also apparent in the overall arrest histories of the subjects studied. Among the males, whose careers in crime spanned a median of 12.8 years, the median number of arrests was 3.5 Similarly, the median career in crime among the female heroin users was 11.0 years, and the median number of arrests was only 2.5.

Third, the data described here provide some information pertinent to the question about drug use and crime; namely, is crime a pre- or post-drug-use phenomenon? What the data suggest is that the question phrased in these terms is an oversimplifictaion of a very complex phenomenon. By examining the median ages of initiation into various stages of substance abuse and criminal careers, the complexity becomes evident. For example—

	Males	Females
First alcohol use	12.8	13.8
First alcohol intoxication	13.3	13.9
First criminal activity	15.1	15.9
First drug abuse	15.2	15.2
First marijuana use	15.5	15.4
First arrest	17.2	18.3
First barbiturate use	17.5	17.0
First heroin use	18.7	18.2
First continuous heroin use	19.2	18.4

Among the males, there seem to be a clear progression from alcohol to crime, to drug abuse, to arrest, and then to heroin use. But upon closer inspection, the pattern is not altogether clear. At one level, for example, criminal activity can be viewed as predating one's drug-using career, since the median point of the first crime is slightly below that of first drug abuse, and is considerably before the onset of heroin use. But, at the same time, if alcohol intoxication at a median age of 13.3 years were to be considered substance abuse, then crime is nearly a phenomenon that succeeds substance abuse. Among the females, the description is even more complex. In the population of female heroin users, criminal activity occurred after both alcohol and drug abuse and other marijuana use, but before involvement with the more debilitating barbiturates and heroin.

In summary, these preliminary data suggest that an alternative perspective for research on the link between drugs and crime may be in order. Although the findings here are descriptive of only one population, which can be unique, they suggest that the pursuit of some simple cause-and-effect relationship may be futile. It is clear that heroin users are involved extensively in crime, and that their involvement is largely for the purpose of supporting the desired level of drug intake. It is also clear that users' initiation into substance abuse and criminal activity occurs at a relatively early age. But there are several things that are not clear. Do substance abusers, for example, alter the nature, extent, and diversity of their criminal behaviors at the onset of marijuana use, at the onset of heroin use, or after their initial criminal justice processing? Do adolescent predatory criminals alter the nature and extent of their criminal involvement at various stages of drug abuse? Does drug abuse involve a shifting from primarily predatory crime to victimless crime? Does drug taking result in an increase or decrease in criminal activity? And, finally, does a drug-taking career fix the criminal careers of adolescents who might otherwise shift into more law-abiding pursuits as they approach young adulthood? These questions can be answered only by turning away from existing notions about the drug/crime nexus, generating a more comprehensive data base, pinpointing the locations where drug use and crime are highest, and circumscribing total criminal involvement in all stages of drug-using and non-drug-using adolescent careers.

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[3] The FBI index crimes, include homicide, forcible rape, aggravated assault, robbery, burglary, larceny-theft, and motor vehicle theft.

THE CRIMINALITY OF HEROIN ADDICTS WHEN ADDICTED AND WHEN OFF OPIATES

(By J. C. Ball, L. Rosen, J. A. Flueck and D. N. Nurco)

[Tables appear at end of article]

ABSTRACT

This study of 243 male opiate addicts has two broad objectives: (1) to ascertain the frequency and types of offenses committed by addicts during an 11 year period, while at risk, or "on the street"; (2) to compare criminality during addiction periods with criminality during periods of regular opiates.

It was found that these 243 addicts committed more than 473,738 offenses during their years at risk. The extent of their criminality was measured by the number of Crime Days accumulated. A crime day is a 24 hour period during which one or more crimes is committed (not including drug use or drug possession). The mean number of crime-days-per-year at risk per addict was 178.

With respect to criminal careers, it was found that 156 of the addicts were primarily engaged in theft, 45 were drug dealers and 36 were involved in assorted other crimes. For each of these groups, the extent of their criminality was markedly affected by their addiction status. Their average crime-days per year at risk when addicted was 248.0; when off regular opiates, it was 40.8. Thus, there was a six-fold increase in their frequency of crime when addicted.

A stepwise regression analysis revealed that criminality was correlated with demographic variables, but the dominant influence upon the extent of their crime was the amount of time addicted. In conclusion, the research significance and policy implications of these findings are reviewed.

INTRODUCTION

Overview of the research problem

There is rather general agreement among criminologists that an increase in criminality commonly occurs following the onset of heroin addiction in the United States (Chein et al., 1964; O'Donnell, 1966 and 1969; Ball and Snarr, 1969; Nash, 1973; Weissman et al., 1974; McGlothin et al., 1978). Despite this overall consensus however, the dynamics of the relationship between opiate addiction and crime continues to be a matter of controversy. Among the questions which remain unresolved, three seem especially crucial: (1) What is the temporal sequence of events regarding the onset of heroin addiction and the commencement of criminal behavior? (2) What are the types and frequencies of crimes committed by heroin addicts? (3) What impact does post-onset periods of abstinence or subsequent periods of addiction have upon criminality?

Although answers to these questions will not solve the social problem of heroin addiction in the United States which currently involves 550,000 individuals (Federal Strategy, 1979), the answers could provide a means of unraveling one difficult aspect of the problem—that involving criminal behavior. An answer to the first of these three questions is derived from a critical review of pertinent scientific reports. Answers to the second and third questions are provided by an analysis of the present research findings.

The issue of sequence reviewed

The issue of the temporal sequence of drug abuse and criminal behavior has been a topic of scientific concern for over 50 years. The reason for this interest has been primarily etiological—to determine which of these factors was the determining (or causal) one.

Most of the early investigators found little criminality before the onset of opiate addiction (Klob, 1925; Terry and Pellens, 1928; Pescor, 1943). Later studies, however, have shown a high probability of criminality preceding heroin addiction (Robbins and Murphy, 1967; Jacoby et al., 1973; Chambers, 1974). Thus, Jacoby reports that 71 percent of heroin users in Philadelphia had a delinquency record prior to onset of their opiate use compared to 35 percent of all boys in the same city-wide age cohort who also had such records.

This difference in the sequence of events between the early and later studies suggest that there is no invariant relationship between heroin addiction and crime. Instead, it seems that the relationship is contingent upon the particular historical period and population of heroin addicts selected. Thus, if heroin is being introduced into a non-criminal or low-criminal population (e.g., medical professionals or middle-class adults) it would be highly unlikely to find criminality preceding heroin use. Conversely, higher levels of preexisting criminality among heroin addicts would be expected within a population with a high endemic crime rate (e.g., youthful lower class males in metropolitan slums). Support for this demographic and historical interpretation of the sequence issue is found in numerous studies of addict populations in which the sequence of onset of opiate use and the commencement of criminality differ. (See Ball and Chambers, 1970.)

It seems reasonable to conclude, therefore, that the issue of the sequence of unique events (first heroin use or a first act of delinquency) may be less significant than determining the continuing influences which sustain criminality and opiate addiction over a period of years or decades. This contention is supported by the fact that an initial onset experience of substance use (opiates, marihuana, alcohol, tobacco, etc.) often does not lead to continued use and dependence and, furthermore, that most citizens engage in one or more acts of delinquency during adolescence without becoming enmeshed in a criminal lifestyle.

Further conceptual impediments to crime-drug research

Before turning to consider the frequency and type of crimes committed by addicts and the impact of heroin addiction upon these crime rates, it is pertinent to comment upon several conceptual and methodological problems which confront researchers in this area.

Although there has been a notable increase in criminological research pertaining to heroin addiction in recent years which has produced a significant knowledge base, there still are unresolved conceptual problems which tend to obscure the fundamental scientific issues and, therefore, hamper the formulation of testable hypotheses and relevant research on this topic. Among the more pressing conceptual problems, four seem most apparent. These are (1) inappropriate use of a unitary factor causal model, (2) failure to distinguish between onset of deviance and its continuance as separate issues, (3) lack of cross-cultural and historical perspective, and (4) general neglect of abstinence periods in studying this relationship. Each of these conceptual issues will be discussed.

A pervasive conceptual problem which has seriously impeded the advancement of research with regard to the crime-drug relationship is use of a unitary causal model which posits that there is a single causal factor which will explain this relationship. Commonly, the researcher holds that heroin use "leads to" crime; or that crime "leads to" heroin use; or that both drug addiction and crime are caused by a single third factor. The belief that there is a single caused factor which will explain both crime and drug abuse appears to be a misapplication of the infectious disease model which seeks to identify a specific causal agent. But the concept of a single invariant causal agent is an inappropriate, and hence, fallacious, explanation for most human behavior. It is no longer meaningful to talk of the cause of crime, or the cause of drug use. There are various reasons why individuals engage in crime or become drug addicts.

A second conceptual problem involves the failure to distinguish between the onset of heroin use and the reasons for continuation of use over the years. These two phenomena are quite different. Thus the circumstances and influences which contributed to first use of heroin are quite different from those which support long-term addition to heroin. And so it is with criminal behavior: a first illegal act is quite different from a criminal career.

A third conceptual problem has far-reaching implications, although it involves rather straightforward findings from cross-cultural and historical research. This involves the fact that crime and opiate use exist independently of one another.

Consequently, it is apparent that heroin use does not always promote criminal behavior, nor crime always promote drug use. Rather, a cross-cultural and historical perspective substantiates the proposition that there may, or may not be, a relationship between opiate use and crime within a specified population and culture. (Ball, 1977).

A last conceptual point is that periods of abstinence from opiate addiction have been largely ignored in research, although the contrast between periods of addiction and abstinence (or lesser use) with respect to criminal behavior could significantly further our knowledge of this relationship. This omission may be due to a lingering notion that heroin addicts are seldom if ever off drugs except when incarcerated (which is untrue); or it may be that this research neglect is due to the difficulty of obtaining detailed data pertaining to periods of abstinence and addiction.

By way of recapitulation, it may be said that various conceptual problems have tended to hinder the formulation of specific research questions which could be investigated and resolved. The emphasis upon searching for universal relationships and developing grandiose casual theories has impended middle-range theories based upon verifiable empirical generalizations.

Measurement issues in crime-drug research

By and large, the most striking methodological weakness in contemporary research pertaining to the crime-heroin relationship is the lack of adequate measures of criminality. The measurement problems are easy to identify, but difficult to resolve.

Two measurement issues are of particular significance in the present context. First, it has been recognized that official records of crime are an inadequate measure of actual criminal behavior within most offender populations. This tends to be especially the case among persistent offenders. Thus, recent studies have reported that less than one percent of property offenses committed by drug abusers result in arrest. (Inciardi and Chambers, 1972; McGlohlin et al., 1978). In addition to grossly underestimating the amount of crimes committed by opiate addicts, official records may also fail to provide a representative sample of the types of crimes committed.

Secondly, there is need for a measure of criminality which will enable analysis of actual crime-rates over an offender's career or lifetime. Thus, we would like to be able to measure criminal behavior on a yearly basis in order to surmount the middle-class bias of regarding crime as a unique or infrequent event. If addicts are committing hundreds of crimes a year per subject (as is the case in this study) it is not only inaccurate to depict this as being reflected by one or two arrests, but it is a gross distortion of a social reality. The research need, then, is to obtain a valid and meaningful measure of criminal behavior which will facilitate the computation of yearly rates.

In stating that there are special measurement needs in studying populations who are heavily involved in criminal behavior, it is pertinent to note that most criminological research and most studies pertaining to drug users are concerned with a few officially recorded crimes or a few minor acts of delinquency. As a consequence of this dominant focus upon populations with a low frequency of criminality, measurement problems encountered when studying populations with a high frequency of criminal events (e.g., 200 or more crimes per year) have been neglected. For example, high monthly or yearly offense rates may prove difficult to interpret and use in comparative analysis because of the confounding effect of these few high values upon sample statistics. Thus, if a few individuals commit a thousand or more offenses per year, this fact can easily distort other sample statistics unless appropriate meaures are employed.

Indeed, it was precisely this problem which prompted the formulation of our crime-day measure, which will be discussed below.

Statement and development of the research problem

As noted previously, this study was planned to provide answers to two rather specific research questions: What are the types and frequencies of crimes committed by heroin addicts? What impact does post-onset periods of abstinence or subsequent periods of addiction have upon criminality?

In pursuing answers to these seemingly straight-forward research questions, we soon found ourselves involved in reviewing hundreds of interview schedules, devising new coding procedures and otherwise enmeshed in the complexities of criminological data analysis. Among the problems which we encountered were the following:

1. How should we handle multiple offenses committed on the same day? (If we count each act of theft—as in department store "boosting"—as a separate event, the large number obtained will not provide a meaningful basis for comparison.)

2. How can we, or should we, differentiate among various types of felony offenses? (That is, given the extent of criminality in this sample, how can we classify their offenses in a meaningful way?)

3. How can drug offenses, "drug related" offenses and other offenses be differentiated? (At the onset, it was decided to delete drug use and possession offenses, but what about drug sales and property offenses? How should these be analyzed?)

4. What time period should be used in computing crime rates? (Monthly, yearly, or for their addiction career?)

5. Is it feasible to trace crime careers in terms of the predominant type of offense committed? (How can the addicts be classified according to their criminal way of life?)

6. How can periods of addiction and periods of regular opiate use be analyzed with respect to crime rates? (With no accepted procedure for computing rates and with the difficulty of combining, or otherwise ordering, addiction and abstinence periods, how could meaningful comparisons be effected?)

The above is a simplified and organized list of some of the measurement problems which confronted us at the beginning of the data analysis. In retrospect, it is evident that the difficulties were primarily due to a single methodological problem. An appropriate and efficacious measure of criminality was not available. What was needed was a measure that would: provide a feasible means of explaining crime in this population, be scientifically and statistically valid, and yet be reasonably simple to use and understand.

A new measure of criminal behavior: Crime-days per year at risk

In the present paper, a new measure of criminal behavior is described and employed in an on-going research project. The new measure has been termed Crime-Days Per Year at Risk. A crime-day is a 24-hour period in which an individual comments one or more crimes. The number of crime-days per year at risk refers to the number of days per year that an individual has committed crimes from 0 to 365.

This new measure, Crime-Days Per Year at Risk, is found to have unique analytical power as it permits the calculation of uniform crime rates by years at risk and it is not confounded by multiple crimes committed on a given day. Furthermore, the term Crime-Days Per Year at Risk appears to be an effective procedure for explaining and understanding the extent of serious criminal behavior because it relates the number of crimes committed by individuals to a common frame of reference—times per year. The discovery of the average crime-days per year concept was made by the senior author while analyzing detailed life history data pertaining to heroin addicts as part of a follow-up study in Baltimore.

V. Definition of terms:

Crime-Day.—A crime-day is defined as a 24-hour period during which one or more crimes is committed by a given individual. Each day of the year, then, is either a crime-day or a non-crime day.

Heroin Addiction.—this term refers to the daily use of opiates. (Daily use or regular use, is defined as use during at least four days per week for a month, or longer, most were heroin users).

Average crime-days per year.—This measure is defined as the average number of Crime-Days Per Year at Risk for a given individual. The range is from 0 to 365. Thus, an individual with 1,489 crime-days during a seven year risk period has an average Crime-Days Per Year at Risk of 213. (Actual computation is by days at risk and number of crime-days).

Years at risk.—Years at Risk is the number of years an individual is "on the street" or not incarcerated. It is calculated on a cumulative basis by subtracting jail, prison, and hospital time from the years since onset of regular opiate use.

Principal type of crime.—This is the predominate type of crime engaged in by a given individual during his years at risk, as theft (boosting, burglary, etc.), con games, robbery, gambling, drug sales, etc. This principal type of criminal behavior is the most common offense committed from an actuarial viewpoint. It answers the question, what kind of crime does he usually commit? The crimes reported by our sample reflect a broad range of criminal behavior and include: larceny (pickpocketing, shoplifting, unauthorized use, burglary), robbery, fencing, assault, con games, pimping, soliciting, gambling, rape, abortions, forging, drug dealing, murder, and loan sharking. Mere possession or use of drugs is not classified as a crime in this analysis.

Criminal career.—This is a criminal behavior pattern which an individual has followed while at risk. The two main elements in determining the crime pattern are (a) type of crime and (b) frequency of crime. Examples of crime patterns are: daily theft, daily con games, weekly robbery, weekly forgery, infrequent assault, and so forth. In each case, the crime pattern, or career, is the most common, or usual, offense committed during the subject's years at risk and the frequency of commission. Thus, a pattern of daily theft during a four-year period indicates that the individual had as his common offense theft of property and that this was carried on most of the time was was at risk. Since the crime pattern is derived for each person from his average-crime-days per year and the principal type of crime committed, the actual number and type of crimes is known in each case.

In order to obtain answers to the criminological questions advanced, the study was organized according to the following procedures: (1) A sample of 243 male opiate addicts was selected for study, (2) Periods of addiction and periods of abstinence from opiate dependence were enumerated, (3) The number of crime-days per year at risk was determined for the sample, (3) The addicts were classified by principal type of criminal career pursued from onset of regular opiate use to interview, (5) The extent of crimes committed were analyzed by criminal career types controlled for addiction and abstinence periods, (6) a correlation analysis of addiction, crime and demographic variable was undertaken, (7) a stepwise regression of addiction and abstinence periods was undertaken in order to determine the relationship of selected crime and demographic variables to each of these drug use statutes. In the remainder of the paper, these procedures will be described and the relevant research findings presented.

The sample and interview schedule

This paper is based on interview data obtained from 243 Baltimore opiate addicts (most were heroin addicts). The 243 male addicts were a random sample selected from a chronologically stratified list of 4,069 known opiate users arrested (or identified) by the Baltimore Police Department between 1952 and 1971. The sample was unselected for criminality, but stratified by race and chronolical period. Of the 243 subjects, 109 were white and 134 were black. Analysis of race and cohort differences has been undertaken elsewhere (Nurco and DuPont, 1977).

The selection of the final sample of 243 was accomplished as follows: The initial sample drawn from the police files consisted of 349 individuals, but 57 of these had died by the time of followup interview, 2 were in mental hospitals (for psychosis), 6 were unlocated and 17 refused to participate in the study. Thus, 92 percent of the sample who were alive and not in mental institutions were interviewed (i.e., 267 of 290 subjects).

Of the 267 addicts who were interviewed, 14 claimed never to had been regular users of opiates, 3 used opiates regularly for only one or two months and the onset of one preceded everyone in the sample by 22 years; these 18 were excluded. In addition, a careful review of the remaining 249 cases revealed that 6 interviews had significant discrepancies between their self-reports and FBI records; these 6 were eliminated. (These six claimed no criminal behavior, but their arrest record listed two or more non-drug offenses). The remaining sample consisted of 243 cases. The sample procedure and characteristics of the base population are described more fully elsewhere (Nurco et al., 1975).

Although comprehensive penal, hospital and other institutional data was collected with respect to the addict sample, the main source of data for the present analysis was obtained through personal interviews. Each of the 143 addicts was interviewed between July 1973 and July 1974 by specially trained interviewers who were familiar with the Baltimore addict subculture. The interview lasted some three hours and the questions were focused upon six topics: drug use, criminal behavior, work, living arrangements, drug selling and sources of income.

The interview schedule consisted of six parts: (1) Life-time prevalence of drug use by specific drugs of abuse (7 pages, completion time about 30 minutes); (2) History of opiate use by addicted and abstinent periods during risk years (3 pages, 30 minutes to complete); (3) Preaddiction criminality and circumstances of onset of opiate use (7 pages, 30 minutes); (4) Circumstances of first regular use of opiates (i.e., daily use for a month or longer) and each subsequent addiction period. This part includes information on criminality for each period of regular opiate use or abstinence (10 minutes for each addiction period, 7 pages each); (5) Marital history, parental background, juvenile delinquency, military service, treatment history, incarceration history, criminal history (16 pages, 60 minutes to complete); (6) Interviewer's rating of respondent's attitude, appearance and overt responsiveness (1 page, 5 minutes).

The validity of the interview data has been the subject of a separate study (Bonito et al., 1976). The findings of this study substantiate the conclusions from prior research concerning the validity of interview data obtained from opiate addicts; namely that valid data can be obtained if specially trained interviewers who are familiar with the local addict subculture are employed.

III. The research findings—addiction and abstinence periods for 243 males:

The mean age of the 243 males at the time of interview was 35.9 years and 93 percent of the sample was between 25 and 49 years of age. Since onset of opiate addiction usually had occurred when the subjects were between 15 and 10 years, most of the sample had a post-onset career of 10 or more years (198 had 10 or more years, 37 had 5–9, and 8 had 2–4 years).

Since a major focus of the lengthy interview was to obtain detailed chronological data pertaining to addiction status from onset of regular opiate use to time of interview, each subject was asked to describe in detail his addiction, abstinent, and incarceration periods. For the entire sample, there were 2,340 time periods, 1,122 were addiction periods, 488 were abstinent periods, 700 were jail or prison time periods, 52 were hospitalization periods and 78 periods were unclassified because of insufficient data. (These few unknown periods were omitted from further analysis). In the present paper, attention is directed toward the addiction and abstinent periods, as this was the time during which the subjects were at risk.

All subjects had one or more addiction periods. The average length of an addiction period was found to be two years, atlhough longer period were common. Each subject was asked about his daily and weekly use of specific drugs during each period (dosage, multiple use, times used per day or week). In this manner, each subject's years, months and days at risk was classified as addicted to or abstinent from opiates.

The total amount of time that this Baltimore male sample spent addicted to opiate drugs since onset of regular opiate use was 61.6 percent of their risk years; they were off regular opiates 38.4 percent of their risk years. Since their average years at risk was 11.3, they were addicted to opiates almost two-thirds of the time, and abstinent somewhat over a third of the time (Figure 1). Two further points are pertinent about their abstinence periods. First, with regard to the abstinence from regular opiate use classification. This status included periods of occasional use of opiates as well as periods of frequent use of non-opiate drugs. Second, it is significant that 85 percent of the sample had such abstinence periods.

Lifetime criminality since onset of opiate addiction

Although periods of addiction or abstinence during the years at risk provided the chronological frame of reference for the interview, additional detailed data was obtained for each period concerning criminal behavior, employment, income, family life and other variables. With respect to criminality, each subject was asked about the number and type of crimes he committed on a weekly and daily basis for each addiction or abstinent period. These responses provided the basis for determining the number of crime-days, the principal type of crime and crime and criminal career pattern for each subject.

The total number of crime-days during the risk years for the 243 addicts is tabulated in Table 1. The range in crime-days within the sample was from 0 to 9,450. That is, from no crimes committed by six addicts to 9,450 crime-days accumulated by one addict during his risk years.

The total number of crime-days amassed by these 243 addicts during their years at risk was 473,738. This total is an undernumeration of the total number of crimes committed as multiple crimes during a crime-day were common. It is also pertinent to note that most of the crimes reported were for theft and that drug use or possession was not classified as a crime.

The mean number of crime-days per addict during their years at risk was 1,998.9. Thus, the majority of these addicts were deeply enmeshed in a criminal way of life. There were, however, important differences in their patterns of criminal behavior as well as their frequency of committing crimes. In order to control for years at risk, crime-days were computed for each person by years at risk (Table 2). The mean number of crime-Days per year at risk for the sample was 178.5. Thus, the total amount of time that these Baltimore addicts spent engaged in daily criminal behavior since their onset of addiction was almost half of their risk years. To be exact, they were committing crimes on a daily basis during 47.7 percent of their years at risk (Figure 2).

Criminal careers of the 243 addicts

Each of the 243 addicts were classified as to the common criminal career which he had followed since onset of regular opiate use. These criminal career types were determined on the basis of the principal, or most common, type of crime committed, and secondly, on the frequency of commission—whether daily, weekly or less often. Six of the 243 addicts had committed no crimes during their risk period.

It was found that the 237 addicts who had committed crimes could be classified into nine types of criminal careers. These nine were: daily theft, daily drug sales, other daily crimes; weekly theft, weekly drug sales, weekly other crimes; infrequent theft, infrequent sales and infrequent other crimes (Table 5). Some two-thirds of the 237 addicts had theft as their principal type of crime. Of these 156 who were career thieves, 41 engaged in daily theft during their year at risk, 58 engaged in weekly theft and 57 in infrequent theft.

The selling of drugs was the second most favored type of crime committed by these addicts; 45 were principally engaged in selling drugs, or "dealing". Of the 45 dealers, 13 pursued this crime on a daily basis, 18 on a weekly basis and 14 an infrequent basis.

The remainder of the sample were engaged in committing other types of crimes on a daily, weekly or infrequent basis. Of these 36, only 7 were engaged in daily crime, 7 in weekly crime and 22 in infrequent crimes. Confidence games, forgery, gambling and procuring (pimping) were the principal types of crime committed by these 36 addicts.

The classification of the sample into nine criminal career types somewhat obscures the fact that many addicts engaged in more than one type of crime during their years at risk. This situation is especially notable with regard to the 61 addicts who were daily criminals. Thus, 55 of the 61 had engaged in theft during their years at risk and 43 had engaged in some dealing, although only 13 had this as their principal daily criminal activity. In addition to theft and dealing—the two most common types of crime—33 of the 61 had engaged in other crimes, such as forgery, gambling, confidence games, robbery and pimping. The complete list of all crimes reported by these daily criminals during their years on the street is: theft (this includes shoplifting; "cracking shorts", burglary and other forms of stealing), dealing, forgery, gambling, confidence games (flim-flam, etc.), pimping, assault, mugging, robbery, armed robbery, and abortionist. Lastly, although most of the 61 criminals engaged in more than one type of crime during their years on the street, there still was a marked tendency to focus upon one main, or principal type of crime—(especially theft or dealing). Furthermore, 11 of these 61 males confined themselves exclusively to one type of crime during their years at risk (8 only committed theft, one only sold drugs, one was a confidence man and one a gambler).

The impact of addiction upon criminal careers

The extent of criminality among all nine career types was affected by their addiction status. Thus, there was an overall sixfold increase in the number of crime-days per year at risk during addiction as contrasted with the abstinent periods (Table 5). Rather surprisingly, the proportionate increase in crime-days per year at risk when addicted vs. when abstinent was most marked among the criminals who engage in weekly or monthly offenses. Thus, for 5 or these 6 career type (weekly theft, weekly dealing and the three infrequent types) the extent of criminality increased more than ten times the non-addicted rate. The greatest increase was for the 22 subjects who committed other crimes on a monthly basis—from 2.3 crime-days per year to 108.2 crime days per year.

Although the extent of criminality within this addict sample was notably increased when the subjects were addicted to opiate drugs, the non-addicted crime rate was still quite high. As might be expected, the highest crime rates when not addicted were found among the three criminal career types who had the highest crime rate when addicted (daily theft, daily sales and daily other crimes). In these three career types, the addicts committed crimes from one to three days per week when not addicted (for these three groups, the rates per year at risk were 109.7, 88.3 and 151.0). In considering the rates of criminality for the nine career types when abstinent from opiates, it seem significant that these nine rates vary more (from 2.3 to 151.0) than do the rates when these same subjects are addicted. In a sense then, one effect of opiate addiction is to raise the number of crimes committed to a threshold, or support, level, and this occurs for all nine career types. Thus, when addicted, 7 of the 9 career types commit more than 260 crimes per year and none of the nine career groups fall below 100 crime-days per year at risk.

Correlation of addiction, crime and demographic variables

In order to investigate the relationship of specific addiction, crime and demographic variables, a correlation analysis of ten variables was undertaken. These ten were: (1) Total number of crime-days accumulated during years at risk (Total CD); (2) Total number of crime-days accumulated while addicted during years at risk (CD–H); (3) Total number of crime-days accumulated while not addicted during years at risk (CD–Off); (4) Total number of days addicted during years at risk (H-days); (5) Total number of days not addicted during years at risk (off-days); (6) Total number of officially recorded arrests during years at risk (Arrests); (7) Crime committed after age 17, but prior to onset of addiction; by self-report. Coded as a dichotomy: 1. Yes, 2. No (Prior Crime); (8) Race; 1. White, 2. Black; (9) Age at onset of opiate addiction (Onset Age); and (10) Age at time of interview (Age at interview, or Age).

The correlation matrix of Table 4 provides an initial delineation of the relationship among these three sets of variables (i.e., addiction, crime and demographic). The first column, total crime-days (variable 1), indicates the overall relationship of criminality to addiction and other variables, but the interpretation of several of these Column 1 correlations is ambiguous due to the distinct effect of addiction vs. non-addiction status. This uniqueness of the two addiction statuses is evident in a comparison of column 2 with column 3. Thus, total crime-days when addicted (variable 2) is significantly correlated with all seven variables: H-days, off-days, arrests, prior crime, race, onset age and age at interview, but not significantly correlated with total crime-days-off (variable 3). Furthermore, total crime-days-off is not significantly correlated with any of these same seven variables. (4 through 10) Also underscoring the distinctiveness of the two periods is the absence of correlation between them (i.e., R of minus 0056 between variables 2 and 3) which indicate that the frequency of crime committed during addiction and off-periods are independent of one another. Thus, the amount of crime committed during addiction periods does not predict the amount of crime committed while off opiates; consequently, a "heroin day" is a very different kind of day from an "off-day" insofar as crime is concerned.

With respect to criminal history and demographic variables, these are both correlated with total crime-days and crime days-H, but as noted not with crime-days off. Specifically, the total number of arrests since onset of addiction is positively correlated with variables 1 and 2. The correlation of arrests with crime-days-H is (.3073). Variable 7, prior crime, is also positively associated with CD–H, but this measure of early criminality poses difficulties with respect to interpretation because it is affected by early onset and prior juvenile delinquency; nonetheless, it is included in the present analysis as it does measure prior criminality to some extent.

Race (black) is positively correlated with crime-days-H, but again, not with crime-days off. Age at onset of opiate addiction (Variable 9, Table 4) is negatively correlated with crime-days-H and crime-days-off, although the latter correlation (—.1221) is not significant. The finding that early age at onset of addiction is correlated with a higher frequency of later criminality is a consistent finding of this study. The moderate positive correlation of age at interview with crime-days-H (.2130) indicates that age (and time at risk) have some relationship to crime-days, but that this issue requires further analysis.

In considering time at risk, or "street" time, it might appear that the high positive correlation between H-days and crime-days-H (.7914) is to be expected because both of these measures are affected by the amount of time at risk. But considerably more is operating here than time at risk. For if time at risk were the principal influence, then, the two correlations (off-days and CD-off; and H-days with CD-H) would be about equal in value. But the marked difference between these two correlations (.1567 vs. .7914) indicates that other influences are operating during the addiction periods as contrasted with the off periods. Furthermore, a partial correlational analysis controlling for age at interview revealed that the relationship between crime and number of days for both the on and off periods was similar to the zero-order values. Thus, for the on periods, a partial value of .7907 was obtained (compared with a zero order value of .7914) and, for the off periods, a partial value of .1817 (compared with .1567). These results indicate that age and time at risk are not the principal influences which determine the number of crime-days accumulated by these 237 addicts.

Stepwise regression analysis of addiction and abstinence periods

Thus far, it has been found that: (1) The frequency of crime is strongly related to the amount of addiction time, and (2) That the addiction and non-addiction (or abstinence) periods are quite distinct experiential periods which require separate analysis. In order to investigate these two major findings with greater precision and analytic power, a stepwise regression analysis of the addiction and abstinence period was undertaken for the 237 male addicts. In this analysis, relevant variables from the correlation matrix are employed.

The stepwise regression analysis of crime-days accumulated while these 237 addicts were addicted yields results which are quite striking (Table 5). Thus, there is strong positive correlation between the number of days addicted and the number of crime-days (.7914). This single variable (H-days) accounts for 63 percent of the variance in criminality during the addiction periods. Two of the remaining variables account for a small additional proportion of the variance; these are age at interview and number of arrests, both positively correlated with crime-days-H.

The stepwise regression analysis of crime-days accumulated during off-periods reveals results which are quite different from those of the addiction periods. With respect to criminality during the off-periods (as measured by crime-days off), only two of the seven variables are significantly correlated (Table 5). The first of these off-days, is only weakly correlated with crime-days-off (+.1567). The second variable to enter, age at onset, is negatively correlated with CD-off indicating the consistent relationship between early age of addiction onset and criminality previously noted. The remaining five variables are not significantly correlated with crime-days while off. Of special interest is the lack of correlation between crime-days-off and H-days. Thus, the amount of crime committed by these heroin addicts while they were not addicted is independent of the amount of their addiction time. This analysis of criminality while not addicted to heroin reveals then, only small variance accounted for by the variables studied. In this sense, the findings are similar to those of most criminological research which shows modest correlations between crime and independent variables.

Stepwise regression analysis of criminality for the three career groups

Inasmuch as the frequency of crime was found to be related to the criminal careers of these 237 addicts, it was deemed necessary to undertake a separate stepwise regression analysis for each of the three major offender groups: those primarily engaged in theft of property, those who were drug sellers and those engaged in other types of crimes (Table 6–8).

Perusal of the three tables reveals that the number of days that the subjects were addicted is the single most important influence upon their criminality during the addiction periods. In this regard, the strongest effect was for the dealers and the weakest effect for the other crimes group. The remaining variables added little to the explained variance for the theft and dealer groups, but were more important for the other crime group. The total variance explained in all three groups was high, (i.e., 67.7 percent, 73.7 percent, and 61.4 percent).

The three offender groups were also quite similar with respect to criminality during the off-periods, in that substantially less of the variances was accounted for by the variables studied. Thus, for the 156 offenders engaged in theft, the 45 dealers and the 36 involved in other crimes, only from 10 to 25 percent of the variance was accounted for during the off-periods.

To recapitulate, these findings suggest that the theft group and the dealers are fairly similar in that their criminality is primarily affected by their drug addiction. During the abstinence period, however, their frequency of crime is not highly explicable by the set of variables investigated in this study. But when daily heroin use takes hold, they turn to crime (by theft or dealing) to acquire sufficient resources to support their daily habit.

The "other" group emerges as a somewhat unique group. Although the impact of daily heroin use is strong, it does not seem to have the same overwhelming effect as it does with the other two groups. Consequently, these 36 individuals have a frequency of criminality that is somewhat more predictable during the non-addiction periods as indicated by the relatively high R of .5034. While addiction seems to be a factor that definitely increases their crime, at the same time, other factors continue to be of consequence in both the addiction and abstinence periods.

Review and interpretation of the research findings

In reviewing the research findings of this study, attention will first be directed toward the significance of addiction and non-addiction periods. Then, the frequency, magnitude and persistence of offenses committed by these 243 addicts will be considered along with the types of crimes committed during their years at risk. Next, the correlation and stepwise regression analysis will be reviewed. This will be followed by an appraisal of the new measure of criminality utilized in this research—crime days per year at risk. Lastly, the broader implications of this study with respect to the control of crime committed by opiate addicts in the United States will be addressed.

It was found that these 243 addicts spent two-thirds of their time addicted to opiates and one-third not addicted. The time under study was their years at risk, or "street" time, and this averaged 11 years per addict from onset of addiction to time of interview. The fact that addiction was not a continuous state of drug dependency seemed significant. For it indicated that there were considerable periods during which changes in the addict's lifestyle might occur, and in fact, it was found that these periods of abstention (or lesser use) did have important consequences. In particular, it was found that criminality decreased markedly during the months or years that these addicts were not dependent upon heroin and other opiates. The decrease was striking—an 84 percent decline in the crime rate.

One of the major findings of this study was that heroin addicts commit a staggering amount of crime and that this continues fairly much on a daily basis for years and decades. Before turning to an analysis of differences in crime-rates by addiction status and other factors, it is meaningful to note the overall amount of crime which these 237 males have committed.

The research findings presented in Table 1 show that the average addict has committed one or more crimes during some 2,000 days. Taken together, these 237 male opiate addicts have been responsible for committing more than 500,000 crimes during an eleven year risk period. The exact figure is 473,738 crime-days, but this does not include multiple offenses committed on a given day, so the figure of 500,000 crimes is an underestimate. In this regard, it should be noted that theft was the principal type of crime committed and that drug use or possession were not themselves classified as crimes.

This high frequency of criminality among opiate addicts is similar to that which has been reported by other investigators. Thus, Inciardi and Chambers (1972: 59) found that 26 addicts on the street were responsible on a daily basis for 22 major crimes." In a recent larger study, Inciardi found that 239 active male heroin users committed 80,644 offenses during a 12-month period (Inciardi, 1979). These latter results from addicts in Miami are remarkably similar to the present findings from Baltimore, both with respect to frequency and types of crime committed.

In the present study, it was found that the addicts could conveniently be classified into three major offender types—theft, drug sales and other crimes—on the basis of the crimes which they usually engaged in during their years at risk. This classification proved to be feasible after the concept and measure of crime-days was developed and it was found that criminal careers for most of the addicts were relatively stable. Thus, 156 addicts were found to be primarily engaged in theft, 45 in drug sales and 36 in other types of crime.

The measure of average crime-days per year at risk was introduced and employed to determine the frequency of offenses per year for each of the 237 addicts during all of their years at risk. It was found that the mean number of crime-days per year for the 237 addicts was 178.5. But, many addicts had more, or fewer, crime-days for each year at risk. Indeed, the distribution presented in Table 2 indicates that 9.5 percent of the addicts were engaged in crime virtually every day of their lives since they began regular opiate use. Conversely, there were 6 addicts who reported that they had not been engaged in crime at all during their years at risk. But most of the addicts were consistently engaged in a rather high level of crime during their years at risk; two thirds had from 100 to 365 crime-days per year for all of their years at risk.

A second major finding of the study was that addiction status had a marked influence upon criminality among these males. Thus, it was found that the number of offenses increased sixfold when these subjects were addicted. And significantly, this increase occurred for all nine offender types (Table 3). Thus, when abstinent, the average crime-days per year varied from 2.3 to 151.0, with an average of 40.8. By contrast, when addicted the rate was always over 100 crime-days per year and commonly over 250 crime-days per year at risk.

These research findings pertaining to the impact of addiction upon criminality were surprising and unexpected. Thus, we did not expect this marked increase, given the known involvement of this population in crime. Or, conversely, one might say that we were unprepared for the decrease which occurred when addiction ceased.

These findings concerning markedly different crime-rates when addicted and when off regular opiates led to correlational analysis of these data. In this analysis, it was observed that the amount of crime committed during addiction periods was largely a function of opiate use, specifically of the time spent addicted. But unexpectedly, it was also found that the amount of crime committed when addicted was unrelated to that committed when off opiates. Thus, it may be held that this analysis provides an explanation for high crime rates during addiction, but provides a much less adequate account of criminality during the non-addiction periods. Although comparatively infrequent, criminality during these off periods deserves further investigation.

The stepwise regression analysis revealed that the impact of addiction upon criminality is pervasive and long-lasting. Thus, addiction was the principal force which increased criminality, regardless of the type of crime pursued. And this relationship between opiate addiction and criminality was not a transitory phenomenon, but an enduring relationship which obtained during an 11 year risk period.

Before turning to discuss the implications of this study, it is pertinent to comment upon the usefulness of the crime-days measure. In this study of subjects with an extensive history of criminality (which involved the computation of offense rates over a decade and more), the introduction of crime-days and crime-days per year at risk was exceedingly efficacious. Indeed, it seems reasonable to conclude that this study could hardly have been completed without the use of a crime-days measure (or a similar measure). For it was found that this measure—crime-days per year at risk—made it possible to compute meaningful and valid rates. It was not only that the rates were appropriate for the data on hand, but the concept of a crime-day proved to have a meaning which facilitated analysis and interpretation of the complex criminal history material.

Extensive criminality among addicts—Implications

The findings of this study concerning the extensive criminality of contemporary opiate addicts in the United States supports similar findings from other research. It is now evident that addicts are responsible for commiting an inordinate amount of crime, that many of these offenses are serious in nature and that their criminality is rather firmly enmeshed in their lifestyle and therefore, that it is persistent and recurring.

But, this study adds one new ingredient to the picture. For our research findings indicate that it is opiate use itself which is the principal cause of high crime-rates among addicts. Once addiction ceases, crime rates drop markedly. And this notable decrease in criminality (an overall 84 percent decline) occurs for all types of offenders throughout the risk years. It is apparent, then, that a major means of reducing the amount of crime committed by opiate addicts is within sight. If we can control addiction, it is evident that we will reduce criminality appreciably.

But how can we impact opiate addiction? Three lines of attack come to mind. First, it is imperative that programmatic and research priorities be established which will further this specific objective—to impact addiction among persistent offender groups. These two aspects—programs and related research—must be a core component of any major national effort. For research without implementation can hardly be effective. And action programs not based upon relevant scientific knowledge are doomed to failure. Indeed, they cannot succeed for logical reasons, as only research can establish success or failure. Therefore, a first priority is to recognize that a major coordinated effort is required which will focus upon this single task.

Second, three or four well designed experimental programs need to be established to reach or impact specific offender populations. These experimental programs should make use of relevant knowledge concerning ongoing programs—such as TASC, methadone maintenance, family therapy and intensive probation efforts—yet be based upon new concepts and new research findings. In this last regard, it is imperative that these new programs be targeted to reach a specific offender population (as contrasted with programs which attempt to serve everyone without regard to need or likelihood of success), and employ means which have either a demonstrated association with the reduction of addiction or a well developed rationale for effecting this objective.

Finally, it may not be taken amiss if it be suggested that it is time to get on with the task at hand, and not be sidetracked by irrelevant idealogical, schloastic or methodological arguments. Thus, while it is true that drug abuse may be difficult to define, that alcohol abuse is also a major social problem, that penalties for marihuana use are inconsistent, and that, in fact, there are many unresolved problems and difficulties in conducting research (especially if one seeks perfection and closure). Still, it is also true that existing knowledge and methodology is sufficient to address the problem at hand. We know that criminality is rampant among heroin addicts. We know that addiction markedly increases this criminality. And, we know that addiction can be impacted through treatment and control measures.

TABLE 1.—TOTAL CRIME-DAYS AMASSED BY 243 MALE ADDICTS DURING YEARS AT RISK

Crime-days	Number of addicts	Percent of addicts
(none)	6	2.5
1 to 99	20	8.2
100 to 499	31	12.8
500 to 999	31	12.8
1,000 to 1,999	54	22.2
2,000 to 2,999	46	18.9
3,000 to 3,999	27	11.1
4,000 to 4,999	12	4.9
5,000 to 5,999	10	4.1
6,000 to 9,450	6	2.5
Total	243	100.0

Note: Total crime-days since onset of addiction: 437,738.9. Mean crime-days per addict: 1,998.9.

TABLE 2.—CRIME-DAYS PER YEAR AT RISK FOR 243 MALE ADDICTS

Crime-days per year at risk	Number of addicts	Percent of addicts
No crime-days	6	2.5
Less than 1 per year	11	4.5
1 to 49	35	14.4
50 to 99	26	10.7
100 to 149	31	12.8
150 to 199	32	13.2
200 to 249	25	10.3
250 to 299	26	10.7
300 to 349	28	11.5
350 to 365	23	9.5
Total	243	100.0

Note: Mean crime-days per year at risk: 178.5.

TABLE 3.—CRIME-DAYS PER YEAR AT RISK BY TYPE OF CRIMINAL CAREER AND ADDICTION STATUS

Crime career type	Number of addicts	Crime-days per year at risk	Crime-days per year at risk	
			Addicted	Abstinent
1. Theft, daily	41	330.3	347.3	109.7
2. State of drugs, daily	13	328.0	353.2	88.3
3. Other crimes, daily	7	319.4	341.4	151.0
4. Weekly theft	58	189.6	280.9	23.3
5. Weekly sale of drugs	18	181.1	284.0	27.6
6. Weekly, other crimes	7	201.9	297.0	70.1
7. Infrequent theft	57	72.4	140.7	7.4
8. Infrequent sales	14	102.4	260.9	10.5
9. Infrequent, other crimes	22	46.8	108.2	2.3
No crime	6			
Total	243	178.5	248.0	40.8

TABLE 4.—CORRELATION MATRIX FOR 10 VARIABLES, FOR 327 MALE ADDICTS

Variable	Total Cd (1)	CD-H (2)	CD-off (3)	H-days (4)	Off-days (5)	Arrests (6)	Prior (7)	Race (8)	Onset (9)	Age (10)
1. Total crime-days	(1)									
2. Crime-days-heroin	[1]0.9510	(1)								
3. Crime-days-off	[1].3038	—0.0056	(1)							
4. Heroin days	[1].7303	[1].7914	—0.0768	(1)						
5. Off days	[1]—.1958	[1]—.2563	.1576	[1]—0.2200	(1)					
6. Total arrests	[1].3191	[1].3073	.0852	[1].2999	—0.1488	(1)				
7. Prior crime	.1493	[1].1796	—.0706	[1].2875	.0171	—0.0348	(1)			
8. Race (black)	[1].2585	.2712	.0003	[1].2793	[1]—.2105	.0969	0.0966	(1)		
9. Onset age	[1]—.2564	[1]—.2295	—.1221	[1]—.1954	.0518	—.1362	—.0160	0.0596	(1)	
10. Age at interview	[1].1859	[1].2130	—.0551	[1].4124	[1].2978	[1].2464	[1].1278	[1].2023	[1]0.5101	(1)

[1] Values When $P<0.01$.

TABLE 5.—STEPWISE REGRESSION ANALYSIS OF CRIMINALITY FOR ADDICTION AND ABSTINENCE PERIODS AMONG 237 ADDICTS

Variable		Prob. to enter	R^2	R^2 change	Multiple R
A. Dependent variable: Crime days heroin:					
1. Days H	0.7914	<0.001	0.6264	0.6264	0.7914
2. Age at interview	.2130	.002	.6419	.0155	.8012
3. Arrests	.3073	.019	.6503	0084	.8084
4. Race	.2712	.904	.6545	.0042	.8090
5. Prior crime	.7196	.329	.6659	.0014	.8099
6. Age at onset	—.2295	.495	.6566	.0007	.8103
7. Days off	—.2563	.717	.6568	.0002	.8105
B. Dependent variable: Crime days off:					
1. Days off	.1567	.016	.0246	.0246	.1567
2. Age at onset	—.1221	.043	.0416	.0170	.2039
3. Arrests	.0852	.144	.0503	.0088	.2243
4. Age at interview	—.0551	.129	.0597	.0094	.2444
5. Race	.0003	.295	.0642	.0045	.2533
6. Prior crime	—.0706	.364	.0675	.0034	.2599
7. Days H	—.0768	.627	.0685	.0010	.2617

TABLE 6.—STEPWISE REGRESSION OF CRIMINALITY FOR 45 ADDICTS ENGAGED IN DRUG SALES (DEALING)

Variable		Prob. to enter	R^2	R^2 change	Multiple R
A. Dependent variable: Crime days heroin:					
1. Days H	0.8414	+0.001	0.7080	0.7080	0.8414
2. Prior crime	.1252	.185	.7201	.0121	.8186
3. Onset age	—.1244	.230	.7299	.0098	.8543
4. Days off	—.1734	.440	.7339	.0041	.8567
5. Arrests	.1523	.667	.7352	.0013	.8574
6. Age at interview	.4073	.709	.7362	.0010	.8580
7. Race	.3633	.694	.7373	.0011	.8587

Variable		Prob. to enter or remove	R^2	R^2 change	Multiple R
B. Dependent variable: Crime days off:					
1. Arrests	0.3251	0.029	0.1057	0.1057	0.3251
2. Age at interview	—.0699	.353	.1241	.1084	.3522
3. Onset age	—.1724	.682	.1277	.0036	.3573
4. Days H	—.0938	.530	.1364	.0087	.3692
5. Age removed	—.0699	.979	.1363	—<.0001	.3692
6. Race	.0550	.442	.1492	.0129	.3862

Chairman ROTH. Thank you.

Senator Rudman.

Senator RUDMAN, Miss Hill, let me just compliment you a very complete report which I think is an excellent foundation for the subcommittee in terms of the areas both legislative and otherwise that we will have to pursue.

Miss HILL. Thank you, Senator.

Senator RUDMAN. I have two very brief questions.

First, from reading your statement, and reading the specific things you speak about concerning foreign governments, and also I think what may be between the lines, would it be a fair statement to say that there is a perception amongst most of the foreign governments that you visited with that the United States does not do what it really ought to be doing in terms of the problem that we have here in this country?

Miss HILL. Yes, Senator. I would say almost every government agency that we visited over there, the narcotics enforcement officials in each of those countries, they simply, as I stated previously, did not believe that Americans are really sincere about narcotics efforts. Part of it is that they feel our criminal justice system in this country is overly lenient with drug offenders and narcotics offenses in this country. They are saying, If you cannot handle the job strictly in your own country, how can you expect us to do it?

Senator RUDMAN. Do they also feel some of the efforts, which would be minimal in nature in terms of the amounts of money involved to aid them in stamping out these products at their source, have been less than adequate and less than cooperative in many ways?

Miss HILL. I think one thing should be said, that everywhere we went our impression at least was that in most of these countries the narcotics effort that had started over the years had been largely supported and encouraged by American efforts and that it was certainly a good thing that the Americans had been there. Had it not been for efforts by DEA and the State Department, there probably would not have been the amount of interest in the problem that there is today.

A lot of these countries have now begun to get to the point where they have a significant interest in the problem on their own because of domestic addict and usage problems. But they have recently experienced a lot of cuts in funding, as far as our aid on DEA, crop substitution, and that sort of thing. The money is obviously the most visible to them. When the money and presence of American enforcement people in those countries is cut back on, they see that as another indication that we really are not serious about drugs and they feel incapable themselves of eradicating the problem without continued American support.

Senator RUDMAN. And finally, I am particularly interested in what you had to say and other information that has been forthcoming in the past year or two about the particular problem in Thailand.

It would seem that with the amount of military force that they have, that had they decided to do it, some of these problems could be irradicated within their own control.

What do you find is the hindrance to that happening? Are there substantial internal political problems that are preventing the ties from moving vigorously against these illegal producers?

Miss **Hill**. I take it you are referring to Chang Chi-fu and the Shan United Army. We were told when we were in Thailand that only recently has the Thai Government really changed its attitude toward Chang Chi-fu. For many years—we had mixed information on this—for many years, we heard from some sources, the Thais actually were hesitant to move against those groups because they saw them as a sort of political buffer. A lot of these groups, Shan United Army included, have their origins out of what used to be mainland China before the Communist revolution.

Some of the founders are very strong anti-Chinese.

Now, the group itself has now taken all sorts of stragglers and separatist movements into it. They are sort of a conglomeration of different political interests. Traditionally, the Thai Government treated them as a buffer group against Communist infiltration and against the separatist movement and that sort of thing. It was like a political buffer.

Now, all the authorities we talked to, American, Thai, and Burmese, have recognized that for all practical purposes these groups are not really political groups. They are, in fact, criminal groups and they are thriving on the narcotics trade. They have lost the political aura that they had, if they had it, at any point in time. The Thai Government now officially, for the record, has stated that its attitude is that these are not a buffer, that they have never treated these groups as a buffer and that they are criminal and will pursue efforts to eliminate them.

My understanding is that they have recently made further efforts against them. We are now uncertain where Chang Chi-fu is located, whether he is in Burma or Thailand.

We flew over Ban Hin Taek when we visited Thailand, which is his headquarters. For that area of the country, it is a tremendous establishment. It has hospitals; it has new housing developments. It is a city and it is controlled by the Shan United Army. Its economy is based on narcotics profits and it sits in Northern Thailand. To this day, I am sure, it is still sitting there.

Senator **Rudman**. Thank you very much.

Senator **Nunn**. One other question before we dismiss this witness. Isn't it true there is considerable strain in the political relationship between the Burma Government and the Thai Government?

Miss **Hill**. Yes, Senator. That is one of the major problems in the area because the heroin problem is centered around the border between Burma and Thailand.

The refineries where they produce the heroin are so makeshift that they can even be moved—if they are attacked on the Burmese side, they can pick up and 2 months later they are on the Thai side, and vice versa.

Until there is some continuous cooperation between the two countries, the problem is almost an impossible one to solve. To date there have been improvements in the relationship between Burma and Thailand but there are still no joint efforts, as such, against the heroin trade.

Senator CHILES. What kind of support did you find on the part of our Ambassadors in the two countries trying to bring together this kind of a joint effort?

Miss HILL. Senator, we spoke to Ambassador Abramowitz in Thailand and Ambassador Byrne in Rangoon in Burma, and both are certainly aware of the problem. They have tried to encourage efforts between the Thais and the Burmese. My understanding is they have had some joint meetings the last 2 years. However, it is not a recent problem. It is a problem that is based on a long history and tradition of mistrust between the two countries to the point where my understanding is that in Burma, Burmese officials are not even allowed, as part of the Government policy, to stop at Bangkok Airport. If they are traveling through Southeast Asia, they are supposed to go around Thailand and not go through the country of Thailand simply for political reasons. So it is a real problem. It is improving and the United States has, on both sides, in Burma and in Thailand, to my understanding, tried to encourage and improve relations between the two countries; but it is still a long way off from the ideal.

Senator CHILES. Can you give us any kind of feeling, given the principal problems we see the United States—or the principal objectives the United States has, in regard to its relations with Burma and in regard to its relation with Thailand, where would drugs fit in that list of principal objectives?

Miss HILL. I would think in Burma it should be at the very forefront because Burma is a unique situation. Burma, as I see it, is a major opium producer in the area.

Senator CHILES. It should be, but do you know where it is?

Miss HILL. My understanding is that in Burma it is one of the major interests. However, it is a fact that there is no DEA office recognized in Burma.

Senator CHILES. Is that because the Burmese do not want it?

Miss HILL. The Burmese do not want it. So our efforts as far as narcotics—I think it is a major concern of the Embassy there, but we have not been able to pursue it to the same degree as in other countries because the Burmese have a very strict neutrality policy.

Our understanding is they do not want American law enforcement or law enforcement of any kind.

Senator CHILES. The Embassy itself, the mission——

Miss HILL. It is one of their top priorities.

Of course, in Bangkok there are a number of other priorities also—with border problems, that sort of thing—but it is one of the major interests of the Embassy.

I would say in both Embassies, it receives a considerable amount of attention.

Senator CHILES. Did you get any feeling for how our Ambassadors to Burma and Thailand—whether they were in constant contact with each other?

Miss HILL. I think they are in fairly good contact. We met with each of them and were impressed with what they told us and their interests and their knowledge of the problem and their contacts with the officials, particularly Ambassador Byrne in Burma has established good rapport. We were fortunate in Burma, because Burmese officials actually took us to northern Burma in a plane and showed us the area themselves.

They were very cooperative and very open with us and we were very impressed with our visit.

Chairman Roth. Miss Hill, I want to join my colleagues in complimenting you on a very comprehensive statement. I think not only do you have considerable information and data that is helpful, but I think a number of the recommendations are very excellent.

As I listen and study this matter, it does seem to me that there is a lack, for one reason or another, of the kind of international cooperation that is necessary if we are really going to stamp this out. I assume you agree with that.

Miss Hill. I would say particularly in Burma and Thailand, there is a real need for improved cooperation on narcotics between those two countries.

Chairman Roth. I am going to be very interested in pursuing some kind of an international, regional conference. It would seem to me it might be valuable to have representatives from many of these countries. As you mentioned, Thailand and Burma will be very difficult to get to participate; you have got Hong Kong as the laundering source, Japan, Philippines. It seems to me it would be extremely worthwhile for there to be some kind of a Pacific Basin conference on this problem, not only have some knowledgeable law enforcement people there, but to try to get it sufficiently high in the Government so that some kind of a common approach can be agreed upon.

One of my concerns, as I listen to the testimony today and on other days and through some of my reading, is that everybody seems to look for a rationalization of why they are not doing more. Frankly, I think some of the criticisms abroad as to this country are well founded. In other words, our actions are used for a rationalization for their not doing more.

Do you think some kind of a conference on drugs—I think it would have to be done by region—but say a Pacific Basin conference in which we got some high government officials might be helpful in this area.

Miss Hill. Senator, I certainly think that would be helpful. Mr. O'Neil is going to testify, I think, after me this morning from DEA and he is going to talk about Southeast Asia. I believe he will cover what we were told about in our visit over there: That at least in the area of money laundering and financial transactions, DEA has worked with the countries and did in fact hold such a conference at the law enforcement level. As a result of that conference, they have encouraged efforts in financial transaction tracing and enforcement among the countries. So in that particular limited sphere, it has been very helpful.

Certainly I would think based on that perhaps there could be a greater move toward joint cooperation in the area, which there is a need for.

Senator Nunn. Mr. Chairman, let me just say on that point, I think it is an excellent suggestion. I have been pursuing that in terms of my conversations with some of the American Ambassadors and some of the foreign officials. There is a general receptiveness to that now. Primarily what Eleanor has pointed out this morning, there is a growing problem within those countries. They no longer see it essentially as America's problem and doing America a favor.

One of the most dramatic statements we had on that subject was Ghazali Shafie who was the Home Minister, really that is the equivalent of our Justice Department, in Malaysia. He labeled the narcotics problem within Malaysia as the No. 1 national security problem. He thought it was more important than any of their border problems and any of the guerilla activity they had with the Communist Party there.

He has now become the Foreign Minister of Malaysia. I would think the suggestions you made should be pursued. I would enthusiastically join in that.

Chairman ROTH. I appreciate that. I frankly have been encouraging a greater Pacific Basin cooperation in a number of areas. I have, like you, been in discussion with a number of the top leaders of those countries, so I do intend to very actively pursue this and welcome your assistance.

Again, I appreciate your being here.

Miss HILL. Thank you, Senator.

[The following correspondence and related material was supplied for the record.]

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C., October 19, 1981.

Hon. PROK AMARANAND,
Ambassador, Royal Thai Embassy,
2300 Kalorama Road NW., Washington, D.C.

DEAR MR. AMBASSADOR: The Senate Permanent Subcommittee on Investigations is currently completing a year long investigation of international narcotics trafficking. The Subcommittee is concerned both with the supply and demand aspects of narcotics trafficking. As part of our efforts to gather information about narcotics supply, staff members have traveled to a number of narcotics source countries, including Thailand. In these countries our staff has been able to speak to U.S. Embassy and Drug Enforcement Administration personnel as well as representatives of the host government. The Subcommittee's visit to Thailand in May was most informative and helpful.

The Subcommittee's investigation will culminate in a public hearing during portions of the weeks of November 9 and 16, 1981. Testimony from staff members who visited Thailand is likely. However, the Subcommittee is also interested in the possibility of receiving either public testimony from a representative of Thailand and/or a written statement which can be inserted in the hearing record.

The Subcommittee is most interested in receiving testimony pertaining to the following areas although these should not preclude other relevant topics:

The extent of narcotics trafficking and use in Thailand and foreseeable future trends;

The position of Thai government towards trafficking and use; and

Unilateral, bilateral (with the United States), and multilateral efforts being made to stem trafficking and use, such as law enforcement, education, and eradication efforts.

The Subcommittee looks forward to any input from the Thai government which would fit into the anticipated hearing schedule. Subcommittee staff is prepared to answer any questions you may have concerning the upcoming hearing and this letter. Assistant Minority Counsel Eleanore Hill and Chief Minority Investigator Jack Key may be contacted at 224-9157 for further assistance on these matters.

Sincerely,

SAM NUNN,
Ranking Minority Member.

ROYAL THAI EMBASSY,
Washington, D.C., December 2, 1981.

MR. JACK KEY,
Russell Senate Office Building,
Washington, D.C.

DEAR MR. KEY: With reference to our telephone conversation, please find enclosed herewith a written statement from the office of the Narcotics Control Board of Thailand, requested by Senator Sam Nunn in his letter of 19 October 1981.

With best wishes,
Yours sincerely,

SUCHINDA YONGSUNTHON,
Minister-Counselor.

DRUGS SITUATION IN THAILAND

Though there was the decrease in opium production in the Golden Triangle which was due mainly to the condition of drought during the planting season at the end of 1978 and 1979, during the planting season in 1980–1981, the hill tribes had expanded the area of opium poppy cultivation up to about 35 percent or ⅓ times more than the former season. The amount of opium was increased to about 500–600 tons causing prices of raw opium to fall down since early 1981. It is also expected that from the middle of the year till the end of this year, the price of raw opium will decrease more as a large amount of opium will get into the market by the time.

According to these facts, there is no doubt that there will be the high increase of drugs abusing within the country as well as the smuggling of drugs to other countries throughout the world. Heroin No. 4 is still the most common used and it was found spreading in all parts of the country, with opium spreading mostly in the North and Northeast. It was also found that Amphetamine are used everywhere and most seriously among labourers in every part of the country and pain-killing drugs are used by farmers. However, Bangkok is still the most serious place especially in the depressed and slum areas. In addition, it was found that a new type of drugs-volatile substances such as thinner, gasoline, kerosene, lacquer, insecticide, etc. became recently popular due to the fact that heroin was highly expensive and scarce during the past few years. These substances have the power to destroy nervous system and blood corpuscles. It is not possible to suppress them because they are not illicit substances, besides they are cheap and can be obtained legally anywhere in the market. The only way that can be done is through prevention.

DRUG TRADING

At the beginning of 1981, drug trading situation along the border in the North was very active as there was an increase in the amount of raw opium transported to the refineries along the Thai-Burmese border. At the same time, a large number of the chemicals essential for drug production was also smuggled from Thai territory to clandestine laboratories along the border in proportion to the increase of raw opium. It is estimated that in 1981 opium and its derivatives will certainly flow into market in great quantity, leading to the increase in frequencies of drugs and chemicals smuggling both at local and international levels.

After raw opium was transformed into various kinds of drugs, they will be smuggled to Bangkok and the South. Some of these drugs will be sold in the domestic market and some will be smuggled out to various countries particularly Europe with Paris as transit place and to the United States of America. The most popular method illicit smuggling is by air. Moreover, it was recently found that raw opium was also smuggled out to various countries in Asia.

POLICIES AND MEASURES ON NARCOTICS CONTROL

Thailand still has the strong determination to fight against narcotics problem. We have two main policies, i.e.:

1. The reduction of the demand for drugs which can be carried out through prevention education and information as well as treatment and rehabilitation for drug dependents.

2. The reduction of the supply for drugs which can be carried out through the control of narcotics cultivation and the development of the hilltribe community as well as narcotics law enforcement.

In addition, international cooperation is another important policy in fighting against narcotics problem. We have joined various treaties and conventions of which we are committed to every resolution and agreement. In terms of bilateral cooperation, we have now 13 liaison officers stationed in Thailand to cooperate with the Thai narcotics law enforcement officers which has led to the successful narcotics suppression operation both within and outside the country.

The Thai Government has always kept our narcotics law enforcement measures strenuous by setting up various measures i.e.

1. The interception of chemical trafficking

As for the fact that heroin or morphine cannot be produced at all without the essential chemicals so the following measures were set up to cut off chemical trafficking;

a. Long term imprisonment of 1–10 years as well as a fine of ten thousand to one hundred thousand Baht was set up to punish a person who produce, sell, import or have in possession the chemicals essential for narcotics producing such as acetic-anhydride and acetyl-chloride. Any person who possesses these chemicals in quantity of more than 10 kg. shall be assumed as having the purpose of selling and will receive the same kind of penalty as mentioned above.

b. Areas of Ether and Chloroform free zone was declared. This free zone areas cover eight provinces in the North and four provinces in the South.

2. The suppression of drugs producing sources"

The Thai and Burmese Government have closely cooperated in destroying the heroin producing sources, most of which located along the border of the two countries. In 1980, several heroin refineries were destroyed which caused the refineries to move away and it would be difficult for them to fully operate again.

In case of Khun Sa or Chang Chi Fu, a big opium war lord, the Thai Government did not only raid and destroy his heroin refineries, but also issued a warrant to arrest him in July [illegible]0, this warrant covers a span of 20 years and 500,000 Baht reward was also set up.

In terms of legislation, the Thai Government is now considering making an amendment on the present Narcotics Act in order to step up our suppression operation by considering using the conspiracy law and the seizure of property of the drug offenders.

Besides the above measures, we also try to improve the capibility of our narcotics law enforcement officers by regularly organizing the training course for officers of every level. Thailand has been entrusted with the important responsibility which is to become narcotics law enforcement training centre of ASEAN. So far, the first training course was successfully carried out last year and the second one is scheduled to be held in this coming December.

Chairman ROTH. I call forward Mr. O'Neill. Do you swear the testimony you give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. O'NEILL. I do.

Chairman ROTH. Please be seated.

It is my understanding you do not have a prepared statement. You do have some opening remarks you care to make.

TESTIMONY OF JOHN O'NEILL, REGIONAL DIRECTOR FOR SOUTHEAST ASIA, DRUG ENFORCEMENT ADMINISTRATION

Mr. O'NEILL. Thank you, Senator.

It is a pleasure for me to be here to share with you some of the information that DEA has gathered and some of the results we have accomplished and some of the things we are planning to do in Southeast Asia. I am the acting regional director for our Far East region.

If possible, I would like to go up to a map here, Senator. It might be a little bit easier to understand as I give a brief overview of what has happened.

This is a map of the Thai-Burma border, the parts that are of particular interest to us. As you have heard, the majority of the opium grown in Southeast Asia is grown in Burma and grown in the Shan and Kachin states which border, on Red China. The central government of Burma does not have real, actual control of these states. They only control that area of the country east of the Salween River. These two states, the Kachin and Shan states, for the most part, are under the control of the Burmese Communist Party and it is in this area that the opium is grown.

Farmers sometimes are forced to grow opium and not grow other crops. They grow opium and sell it to the Burmese Communist Party.

In the past, the opium was put in large mule trains and then tracked down through these states into the area just along the Thai-Burma border. As a result of some of the helicopters given to the Burmese Government and other United States commodity assistance, the Burmese Government was able to attack these large mule trains, and we saw a shift in the way opium was moved from these producing states down to the border areas where the refineries are located.

[At this point, Senator Chiles withdrew from the hearing room.]

Mr. O'NEILL. What happened, mule trains used to be 600, 700 pack animals were guarded by up to 1,000 troops and moved through the area. When these large trains were spotted they were attacked by the Burmese Army. The traffickers changed their method of transporting opium. What they did was substitute soldiers as their pack animals, the carriers. Also, instead of bringing opium down to the border, they converted opium to morphine base in this northern area.

Basically, what they did by doing that was to reduce the bulk of the quantity that had to be transported from about 10—10 kilos of opium to about 1 kilo of morphine. So they reduced the size of the load tenfold but what they were also able to do then was use the different mountain trails moving through the areas and hide themselves from any aerial observation of the Burmese Government.

The opiates would move down through different camps and along the way it would be taxed by different types of insurgents or the different groups controlling the areas. The Burmese Communist Party controlled some of the areas but not all. As they would move from the Kachin into the Shan states, different areas that are controlled by different insurgent groups or different trafficking groups would tax these trains, *x* amount of baht or kyat, Burmese currency, per kilo of opium or kilo of morphine. The morphine would then move into this area along the Thai-Burma border. We know that there are about 15 fixed sites along the area.

As Miss Hill said, the labs are not very, very sophisticated. They are in three different locations. One over here in Lao Lo Chai which is very close to the Laos and Chinese border—at the Thai-Burma area. There are two major laboratories here and they are controlled by the Shan United Army.

It is estimated about 60 or 70 percent of all the finished narcotics that come out of this area of northern Thailand and Burma are produced in these two laboratories.

There are other laboratories right around here in an area called Doi Lang. There is about six or seven sites here. Some of these are controlled by the Shan United Army, Lahu Independence Army and independent traffickers. And then over on this side of the border in the Kyah state right near Mae Hong Son in Thailand, there are other laboratories. These are controlled by the Chinese irregular forces and independent traffickers. The independents also have laboratories in Lao Lo Chai and in Doi Lang. They pay a tax on the amount of opium or the amount of morphine or the amount of heroin that they produce and they pay it to whoever is in charge of that area.

Very quickly then——

Chairman Roth. Would you yield? When you speak of a laboratory, exactly what do you mean? Is this a major installation or fly by night?

Mr. O'Neill. It could be two types. It could be a very small laboratory. A small laboratory would consist of about four or five buildings—a kitchen, a sleeping area, and then the laboratory itself. It could be pots and pans, chemicals and raw material. A small laboratory would be guarded by upward of 60 to 100 armed men. They would have automatic weapons, grenade launchers, et cetera. They are usually located near water. As Miss Hill said, any time the Burmese would try to attack, the terrain they are in, the types of mountainous regions that they are in, favor the laboratory operators. They would find out that the Burmese are coming just by the noise or by other information; because the Burmese Army would have to hire local porters, the word would spread. They would pack up their pots and pans, move their morphine and their chemicals across the border into Thailand.

Senator Nunn. Why can't they attack by air?

Mr. O'Neill. We have some photos here, Senator. It is a very, very bad situation. The Burmese have attacked by air, but they can't get the copters in close enough to where they can get their troops landed and out. If they do attack by air, they are attacking up to 400 or 500 armed men, sometimes, who are usually better armed. The army would have to repel out helicopters and it is not the best way to go.

They have attacked by air in April of this year. The Burmese Army attacked an installation and came from the south side, from the Thai border side. During the attack, 15 soldiers were killed in pitched battles that lasted about 3 days along this whole area. They captured up to 70 automatic weapons, handgrenade launchers and other types of sophisticated ordnance.

But these are pictures. The smallest village would give you an idea of what a village would look like and how difficult it would be to put helicopters into that area.

The picture of the largest city is actually a picture of Ban Hin Taek where Chang Chi-fu is believed to have resided.

Senator Nunn. That is a heavily protected city? Is it a heavily guarded city?

Mr. O'Neill. His personal bodyguard is rumored to be anywhere from 250 to 300 men. That is just his personal bodyguard. The size of the Shan United Army is about 5,000 armed men.

The finished product, heroin, No. 4, heroin No. 3 or heroin base then moves down through a very rudimentary road system into Chiang Mai where DEA has an office. Then from Chiang Mai down into Bangkok and then from Bangkok either south into Malaysia and Singapore, to Europe, stays there or comes to the United States or directly to Hong Kong for the United States, Australia, Canada.

[At this point, Senator Cohen entered the hearing room.]

Mr. O'NEILL. In past years, we estimated that the usual crop of opium in Southeast Asia was anywhere from 425 to 450 metric tons of opium. In 1978, there was a very severe drought in the growing areas and the crop was estimated to be between 160 to 170 tons. In the 1979 and 1980 years, there was an attempt on the part of the farmers to get more money as the price of opium had skyrocketed. They had overplanted opium in the regions, but there was another drought and the production we estimated to be between 225 and 250 metric tons during this 1979–80 growing season.

The farmers then staggered their planting. They overplanted, they cleared more land and during the 1980 to 1981 growing season we are estimating a low of about 600 metric tons to a high of 700 metric tons of opium available in that area. Now that opium was harvested between January and March. It has been moving in the system since. Now it is getting to the border where it is having an effect on prices.

Senator RUDMAN. I wonder if you might tell us what the value of that is there?

Mr. O'NEILL. At the border in 1979, at the end of a normal growing season, a kilogram of morphine would cost about $4,100. In 1980, that same kilogram was about $6,100. And this year, it is about $3,100 per kilogram of morphine. Heroin No. 4, which is a very fine high purity product in 1979, was about $4,600 per kilogram. In 1980, it was about $7,700 and this year it is about $4,500 to $4,600 right now. We see that same price fall in Bangkok, Thailand. Heroin No. 4, during the 1979 era was about $5,000 a kilogram. In the drought years, it went up to about $10,700 to $11,000 a kilogram. And now it is about $6,000 to $6,200 per kilogram.

Heroin No. 3, which is a drug of choice in Malaysia and Hong Kong was about $2,700 in 1980. It went to about $6,600—I am sorry, in 1979, the $2,700 figure. In 1980, it went up to about $6,600 and now it is down to about $4,500. This is a price per kilogram. It is not lots or it is not large shipments. This would be the price per kilogram. The larger the shipment, the smaller the price, of course.

The same types of prices and the same type of free market economy existed during the drought years as exist now.

Productionwise, Burma is the leading producer in the area. Up to 600 metric tons of opium is produced in Burma. Laos, because of a lot of different factors; part of it being the Laos Democratic Peoples Republic moving of the Muong tribes, the hill tribes that had been involved in opium production in the past, has seen a reduction of opium in Laos. We estimate somewhere around 40 tons this year. We estimate about 60 tons of opium produced in Thailand. However, with the addict population in Bangkok and the rest of Thailand, Thailand becomes the net importer of opium and of opiates. There is an estimate that in Bangkok alone, there are about 400,000 opium addicts and between 400,000 to 600,000 addicts in Thailand.

The Thai addict would shoot heroin No. 4, injectable heroin, at very, very high purities. Certainly, we couldn't sustain those purities being used in Thailand in the United States.

As I said the main producer and controller of opium in the area is the Burmese Communist Party. Their main buyer is the Shan United Army or the SUA. It is estimated that the Shan United Army would control anywhere between 70 and 80 percent of all the finished product that comes out of that border area. We also have some laboratories that have been located in southwestern Thailand around the Malaysian border, in the provinces of Sandao and Satun, which are the western provinces of Thailand.

Just recently DEA was able to develop information. We gave it to our local police counterparts and they seized the laboratory in Sadao. We have information regarding two other laboratories in the area. One we don't have a fixed location on, but it is rumored that this laboratory is completely underground and has its own ventilating system. It is not air-conditioned. It's not that comfortable, I guess, but it is vented, it has its own electricity and its own power sources.

With the drought, we saw a significant change in the way heroin was trafficked in Southeast Asia. We in DEA, have had informants working under our direction and control now for many, many years. They were deeply and intimately involved in narcotics trafficking in Southeast Asia. When the drought came, they had no access to former partners and underlings; in terms of what they could and could not control and what they could and could not do in entering the traffic. Wherein past years they either had controlled laboratories or had controlled routes, now if they wanted to enter into the traffic, they would have to advance 100 percent of the money needed. To enter whatever portion of the traffic that they wanted to get into. They would have absolutely no control or say-so. As to how heroin was delivered or not delivered, and what have you, they had no control.

[At this point, Senator Chiles entered the hearing room.]

Mr. O'NEILL. At the same time, there were Westerners who for many years had been traveling to Bangkok, and recently up to Chiang Mai. They were finding it very, very difficult to either purchase narcotics or have narcotics delivered to them. In the past, in Bangkok, the traffickers would not try to cheat a Western customer. What they would do is simply cheat them by overcharging them. During the drought years, we saw Americans, Australians, French, Italians, and Germans in Bangkok being given heroin that was cut with diluents, which had been unknown before, or given packages of strychnine or other types of powder that sold as heroin, an absolutely unheard of occurrence in previous years.

In this year now, with the availability of opiates and particularly heroin, our informants are being deluged almost daily to enter into different types of activities. We are to the point now, where we only have time to select the good places and the traffickers we are particularly interested in. We are to the point now, that we are able to control those types of investigations.

In Bangkok, we see Westerners, we see Americans, we see Europeans being arrested every day. Seizures in Europe are up, seizures in the United States are up, of people that have gone to Southeast Asia and purchased heroin.

We see different routes being used now. There has been seizures of heroin made of people destined for Peking. It looked like it was going to be a different route, from Bangkok to Peking to Hong Kong. We have had people arrested, or newspaper reports of people being arrested in Canton, in the early report with opium and just recently with heroin.

It looked like that heroin was going to enter into Hong Kong also.

The big problem for us in DEA, and I think the big problem for the United States, is that you can get on a plane in any place in the United States and 12 or 15 hours later be sitting in a hotel in Bangkok. The ticket would cost you $1,200, $1,500. You could buy an ounce or 2 ounces or 3 ounces of very high, very pure heroin in Bangkok for $2,000. You can return to the United States and sell that 1 ounce of heroin for about $11,000 to $15,000. If you do that three or four times, we have a small time crook becoming a bigtime heroin trafficker.

Chairman ROTH. Is that pretty common? Do you have any guestimate as to how many small dealers there are?

Mr. O'NEILL. In total numbers, we don't, Senator. We knew in the past that there were a lot of people going over to Thailand particularly, doing that and using the mails to send it back. We have had a lot of instances, particularly in the west coast, working with Customs where mail parcels would be intercepted. Usually they were very, very small quantities, 1 ounce, 2 ounces, 3 ounces. Sometimes we would get larger quantities in artifacts. But we have had a lot of investigations where a man went over and started with 1 ounce or 2 ounces and later controlled 8 or 10, 12 couriers going over using pretty much the same route.

Those couriers, by the way, didn't stay in New York or Los Angeles or Seattle. We had them in Tucson, Ariz., we had them in Kansas City, we have had them in Detroit—all over the place. It is not just the big cities—Sacramento, also. They have been all over the place.

What is also happening, too, as the Americans go to Thailand and start talking about the prices and what they are willing to pay and not willing to pay, Thai entrepreneurs are looking at the United States as a quick ready fix for their financial problems and are coming here.

In Los Angeles, it is estimated there are about 250,000 illegal Thai citizens in that Los Angeles area, an absolute fertile ground for people interested in sustaining themselves to enter into the heroin business. We have had Thais going to Japan and coming into Mexico, then coming across into the United States.

The Border Patrol made an arrest of five Thais walking along the border dribbling a basketball trying to pretend to be basketball players, and then try to sneak into the United States as a Mexican basketball team.

In addition to these entrepreneurs, the small organizations, the small groups, we still have the large trafficking groups, the people that really control the heroin situation in Southeast Asia, targeting the United States.

In the early 1970's, it was the Chinese organizations in Southeast Asia, the Hong Kong and Singaporian organizations that created the heroin market in Europe. That led to the explosion in the epidemic of heroin abuse among Western Europeans. When the droughts came, the Chinese made a very definite decision to continue to supply the markets in Southeast Asia.

Second choice were the markets in Europe. Third choice were the American markets. There wasn't an awful lot left for the American markets. When supply of Asian heroin wasn't there, heroin from Southwest Asia, the so-called "Golden Crescent"—I am talking about opium that was from Pakistan, Afghanistan and Iran—entered into the traffic in Western Europe. We have had indication and information now that the Chinese are going to try again to take over that European market.

If they cannot take over that European market and have an excess of heroin, then we feel that heroin will be destined for the American market.

In DEA, we have a rather large presence in Southeast Asia. In Thailand, we have three separate offices, one in Bangkok, one in Chiang Mai and one in Songhkla in Southern Thailand. In Bangkok, we have a special agent in charge, an assistant, a group supervisor and 15 agents stationed in the city. We also have three intelligence analysts stationed there.

In Chiang Mai in the north, we have a supervisor and three agents and in Songhkla in the south, we have a supervisor and two agents. Our program is basically intelligence oriented, gathering the intelligence on syndicates and organizations, the major movers and pushers in the area and getting that intelligence, sharing it with the Thais and then hopefully reacting with them to effect seizures and arrests.

We have been targeting groups, syndicates or organizations. We have been targeting the laboratory operators and also the chemical suppliers.

[At this point, Senator Cohen withdrew from the hearing room.]

Mr. O'NEILL. We found out that it takes approximately 22 pounds of chemicals and one pound of morphine to produce one pound of heroin.

Chairman ROTH. Could I interrupt? Because time is passing, I would ask that to the extent you could, summarize the highlights. I know the Senators have a number of questions they would like to ask you.

Mr. O'NEILL. Miss Hill brought up the operation that we had targeted, the financial investigations, an operation we call Operation School Boy. It was targeted against originally a Singaporean group of heroin traffickers who had controlled European heroin market called the Ah Kong. As an aside, the Ah Kong in Chinese means "The Company." This organization was a subject of worldwide police attention. There were seizures and arrests made in Spain, in Portugal, in the Netherlands, in the Federal Republic of Germany, in France, Southeast Asia, Bangkok, Kuala Lumpur, and in Hong Kong.

[At this point, Senator Rudman withdrew from the hearing room.]

Mr. O'NEILL. The leader of the group was a man by the name of Li Ming Siu, who was well known to all the police authorities all over the world. He was arrested in Bangkok, Thailand, and then extradited to Singapore where he was questioned. His personal effects, papers and other paraphernalia that he had, was made available to DEA. One of the things that he had was a number, written on a piece of paper.

Originally we thought it was a telephone number. One of the DEA agents had remembered the number for some reason, I am not exactly sure why, and identified that number as a bank account number in a commercial bank in Hong Kong.

We supplied to the Singaporeans—DEA supplied that account number to the Hong Kong police authorities with the information that had been taken from Li Ming Siu. The Hong Kong authorities were well aware of who he was and got a magistrates warrant authority to search the bank account. To our knowledge, this is the first time that had been done in Hong Kong.

When they searched the bank account, they found out that in this one account alone, within a 13-month period, that Li Ming Siu had deposited about HK$60 million—Hong Kong dollars—in the account. And his only source of income and only source of revenue was heroin trafficking. Now that equates to over a little over US$12 million—U.S. dollars. The disturbing thing to the Hong Kong authorities and disturbing thing to the bank officials was that the money was not staying in Hong Kong. It was being transferred right back out of Hong Kong, not staying any more than 1 day. It was going into a trading company and/or a gold shop in Bangkok.

There were other banks, other deposits from other banks in the account, and other commercial banks used, not only in Hong Kong but in Malaysia and in Singapore.

In Malaysia, the account was in a commercial bank up in Penang in the northern part of Malaysia, near the Thai border. In those accounts we had about $1 million American being transferred, usually in Hong Kong or in Malaysian currencies. But we would have children or people who were not properly identified, giving fictitious addresses or fictitious business addresses, transferring the money into the account, sending it down to Hong Kong and then from Hong Kong going back up to Bangkok.

We have identified somewhere in the neighborhood of 60 or more accounts where this is being done. These are accounts that are in the commercial banking systems.

We had presumed that the Chinese traffickers would prefer to use the so-called underground banking system. It is older than the Western banking system; and it is more established. There is a mistrust on the part of Chinese businessmen, be they legal or illegal, to use Western institutions. The undeground banking system has the advantage of being very efficient. The cost of a transfer is usually less than a Western bank and there is no paper trail.

Chairman Roth. I am going to have to ask you. Does that pretty much conclude?

Mr. O'Neill. Yes.

Chairman Roth. Senator Nunn.

Senator Nunn. We have got some questions we would like to ask you. I am going to try to make them as briefly as possible. We are running behind and we have got several other witnesses this morning.

Mr. O'Neill, you have described in detail how narcotics racketeers have used the commercial banking system. We understand that financing in Southeast Asia is also characterized by an extensive underground banking system. I think that is what you were referring to there. Could you tell us briefly how that works?

Mr. O'Neill. The way it would work: You would go to a known location, it can be a gold shop, a trading company, a laundry, restaurant, whatever—they take many different forms—and go to a person there and tell them you have x amount of dollars. For instance, you are in the Netherlands and want to transport f.1 million [guilders], and you want that to go to Hong Kong. You would give the man in the Netherlands f.1 million [guilders]. Either you or your representative could go to Hong Kong the very next day and pick up either the million guilders less the commission, American dollars, Hong Kong dollars, Thai bhat whatever currency you would want.

Senator NUNN. What have been the recent efforts against the Shan Army by the Thai Government, if any?

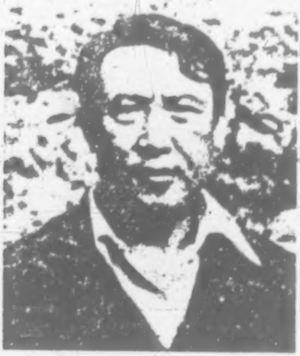
Mr. O'NEILL. In July of 1980, the Thai Air Force bombed Ban Hin Taek, the headquarters of the Shan United Army. There has been an arrest warrant out for Chang Chi-fu, the head of the Shan United Army. There was also just recently a flyer made up, a wanted poster—I have a copy of it here, it is in Thai on the front, Chinese on the back, and a translation of it—spread throughout the nonborder areas. And in October of this year, while the Prime Minister of Thailand was in the United States, it is presumed that there was an attempt to capture Chang Chi-fu. A group of commandos of the Thai Army infiltrated Ban Hin Taek at night. There was some confusion at the time. Apparently there was a large caravan of Shan soldiers in Ban Tin Taek at the time. There was a fight, a firefight ensued.

[A copy of the "Wanted Poster" referred to follows:]

ประกาศสำนักงาน ป.ป.ส.

เรื่อง ให้สินบนรางวัลจับนายจางชีฟู หรือ ขุนส่าฯ

จำนวนเงิน 500,000 บาท (ห้าแสนบาทถ้วน)



1. **ชื่อ** นายจางชีฟู หรือขุนส่า หรือจันทร์ จางตระกูล หรือกวนขยอ
2. **เกิด** ปี พ.ศ. 2476 อายุ 48 ปี
3. **สถานที่เกิด** ดอยหม้อ เมืองตังยาน รัฐฉาน ประเทศพม่า
4. **เชื้อชาติ** จีน (ฮ่อ) **สัญชาติ** พม่า
5. **ตำหนิรูปพรรณ** รูปร่างสูงใหญ่ค่อนข้างอ้วน สูงประมาณ 180 เซ็นติเมตร ศีรษะโต หลิมค่อนข้างเถิก ผมสั้น-รองทรง ใบหน้ารูปไข่ หน้าผากกว้าง คิ้วบาง หางคิ้วดำ ระหว่างคิ้วย่น ตาเล็กค่อนข้างยาว หูกาง จมูกโด่งเป็นสัน ปากกว้าง ริมฝีปากบาง คางมน แขนขาและมือเท้าใหญ่ ผิวคล้ำ
6. **ข้อหา** มีพฤติการณ์เป็นตัวการสำคัญในการผลิตและค้ายาเสพติด รวมทั้งการกระทำความผิดฐานยึดอำนาจการปกครองในส่วนหนึ่งส่วนใดของราชอาณาจักร มีอาวุธปืน เครื่องกระสุนปืนไว้ในครอบครองโดยไม่ได้รับอนุญาต กระทำผิดฐานเป็นซ่องโจร และหลบหนีเข้าเมือง ตามหมายจับกองบัญชาการตำรวจสอบสวนกลาง กรมตำรวจ ลงวันที่ 17 กรกฎาคม 2523
7. **สถานที่ควรสืบ** บ้านหินแตก และบ้านเมืองสอง ตำบลแม่คำ อำเภอแม่จัน จังหวัดเชียงราย .
8. **สถานที่ติดต่อ** เมื่อจับตัวได้แล้วนำส่งกองบัญชาการตำรวจสอบสวนกลาง กรมตำรวจ และขอรับเงินสินบนรางวัลจับได้ที่ สำนักงาน ป.ป.ส. ศาลาสันติธรรม ชั้น 2 ถนนราชดำเนินนอก กรุงเทพฯ 2 ภายในวันที่ 30 กันยายน 2525

ประกาศ ณ วันที่ 21 กรกฎาคม 2524

สำนักงาน ป.ป.ส.

肅毒委員會辦事處公佈
懸賞通緝張奇傅或坤沙
獎金伍拾萬銖正

1 姓　　名：張奇傅，或坤沙，或莊 張塔軍
或光柯約。

2 出生日期：佛曆 2476 年，現年 48 歲

3 出生地點：緬甸　撣省　丹陽市　堆磨村

4 國　　籍：緬甸籍　雲南人

5 面貌特徵：高大稍肥　高度約 180 生　頭尖髮稍禿　髮短　蛋形面　額濶　眉薄　眉尾低　眉間有縐紋　眼細框稍長　兜風耳　高鼻　口濶　唇薄　顎圓　手臂脚腿大　皮膚赤色

6 罪　　名：有生產及販賣毒品行爲的主犯　有觸犯擾奪政權行動的罪名又保有非法鎗械彈葯　有賊黨組織行動及非法入境　依據警察廳中央審訊局于佛曆 2523 年 7 月 17 日發出拘捕傳票

7 躲藏地區：昌萊府　夜莊縣　夜塔區　興德村及蒙宋村

8 聯絡地址：當捉得該主犯請引送警察廳中央審訊局及向曼谷五馬路乩滴探大廈二樓肅毒委員會辦事處領取獎金　有効期至佛曆 2525 年 9 月 30 日止

肅毒委員會辦事處
佛曆2524年7月21日公佈

Garuda

ONCB Announcement

Subject: 500,000 Baht Reward for the Arrest of Chang Si Fu aka Khun Sa

-----

1. Name: Mr. Chang Si Fu aka Khun Sa aka Chan Changtrakun aka Kuan Khayor

2. Date of Birth: 1933, age: 48

3. Place of Birth: Doi Moh, Muang Tangyan, Chan State, Burma.

4. National Origin: Chinese (Haw)
Citizenship: Burmese

5. Physical Description: Tall and big built, plump, approx. 180 cm. height, big head, slightly balding, short-cut hair, oval face, wide forehead, thin eyebrows with wrinkles in between, small and long eyes, prick ears, pointed nose, wide mouth, thin lips, round chin, big limbs, big hands and feet, dark skin.

6. Charges: Being the principal in the production and trafficking of narcotic drug; illegally taking over the administration of a part of the Royal Kingdom; illegally possessing firearms and ammunition; continuing an organized group of criminals; and illegally immigrating into the country, per the arrest warrant, issued by the Central Investigation Bureau, Police Department, dated 17 July 1980.

7. Recommended Areas for Investigation: Ban Hintaek and Ban Muangsong, T. Maekham, A. Maechan, Chiangrai Province.

8. Point of Contact: Upon being arrested, the subject should be turned over to the Central Investigation Bureau, Police Department. Request for the reward should be submitted to the ONCB, Santitham Hall, 2nd floor, Rajdamnernnok Rd., Bangkok 2, within 30 September 1982.

Given on 21 July 1981.

ONCB
(Signature)

Mr. O'Neill. Five commandos were killed, five more missing and they are presumed dead.

Senator Nunn. Where do you think he is located now?

Mr. O'Neill. I have no idea, Senator. He is either in Thailand or Burma, or might have a foot in each country. We are not exactly sure where.

Senator Nunn. We haven't talked about the Chinese Government at all. What does the mainland government in China do with respect to both traffic within China and with regard to cooperation with the United States and other countries?

Mr. O'Neill. In China, we have no indications that there is any trafficking in heroin or opium at all.

Senator Nunn. You mean they really have eliminated heroin traffic in China as far as you know?

Mr. O'Neill. That is what they said. There was a delegation here about 2 years ago and that is what they told us. There have been seizures made in Canton of opium and of heroin, but the press information on that is that it was destined for Hong Kong and not for local consumption.

Senator Nunn. Is the Chinese Government cooperating at all with other governments, like our own?

Mr. O'Neill. We haven't had any official meetings with them in Southeast Asia. We have sat down with them here in the United States. There was a delegation visiting about 2 years ago.

Senator Nunn. Are they receptive to international cooperation, or is it too early to tell, based on your conversations?

Mr. O'Neill. I would only be reading teletypes on that. There are people from the State Department who probably would be a little better qualified to answer that.

Chairman Roth. Could I ask a question? As I understand it, the Burmese Communist Party is a major source of the drugs?

Mr. O'Neill. Yes, sir.

Chairman Roth. Is there any reason to believe that the Chinese Communists might have any influence on them, that might be an avenue?

Mr. O'Neill. In the Burmese press, it was reported that when Ne Win went to Peking, he asked that the People's Republic of China, the Government, stop supplying the Burmese Communist Party with arms and funds. It was reported again in the press that the head of the People's Republic of China, the Government, said that the Government had no influence over the conduct of the Chinese Communist Party——

Chairman Roth. Over the Burmese——

Mr. O'Neill. That the Chinese Government had no influence over the Chinese Communist Party. That was a party relationship and they could not influence that relationship.

Chairman Roth. To make sure I understand you, you said the Chinese Government said it had no influence over the Chinese Communist Party, the relationship between that and the Burmese is party to party. That's a dodge they use in a number of areas, isn't it?

Mr. O'Neill. That's correct.

Chairman Roth. I didn't mean to interrupt.

Senator Nunn. That is fine. We really appreciate your testimony. You have been very helpful with our subcommittee. We appreciate the job you and all the agents are doing in that part of the world. We know its a tough job.

I have one other question at this point. We may want to have some for the record. Have you begun to see the increased traffic that would be implied by the increased bumper crop you have had this year?

Mr. O'NEILL. We are seeing some increases in the United States, but we haven't seen that big jump that we might expect. Hopefully that is because we are doing our work in Southeast Asia.

Senator NUNN. Do you still expect it is going to come in the United States in increased numbers in the next year?

Mr. O'NEILL. DEA, in cooperation with the Thai authorities, this year have seized the equivalent of 1,000 pounds of heroin or opiates in Thailand, about 300 pounds of opiates in Hong Kong, and the traffickers are well aware that the Americans are behind this push. We will see what their reaction is.

Senator NUNN. Thank you very much, Mr. O'Neill. We appreciate your help.

Chairman ROTH. One further followup question. The possibility of this larger supply—could that mean that our users might get opium in a more pure form and this could cause a greater incidence of death and other serious effects?

Mr. O'NEILL. Heroin No. 4, which is the preferred, is a very white, flaky-powdery substance—the purest, range in excess of 90 percent. It is probably the best heroin made. When it would come to the United States, I would think that the traffickers here and the people that are responsible for distributing would cut it down to the levels that are currently being used. But more availability usually leads to more use and more use leads to more injuries.

Chairman ROTH. Thank you, Mr. O'Neill.

Mr. O'NEILL. Thank you, Senator.

Senator NUNN. Thank you very much.

Chairman ROTH. Our next witnesses are Dennis A. Morton of the DEA and Richard Wright of the Los Angeles Police Department. I understand they intend to use a film as part of their presentation.

Senator Nunn, I think you may have a comment.

Senator NUNN. Yes, Mr. Chairman. I want to thank both Mr. Morton and Lieutenant Wright for their cooperation with us. This film is being furnished to us in cooperation with the Los Angeles Police Department and NBC. We want to thank both of them for making it available. It is my understanding the film we are going to see was broadcast on January 14, 1979, as a segment to the NBC series "Weekend." And this particular segment is entitled "Criminal Gangs in Japan," which was produced by Bill Brown of NBC television.

Lieutenant Wright, can you introduce us to the film, and we are going to try to take a look at it. How long does it last?

Lieutenant WRIGHT. Seventeen minutes, Senator.

Chairman ROTH. Before we proceed, under our rules, witnesses must be sworn. So would you please rise.

Do you swear that the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Lieutenant WRIGHT. I do.

Mr. MORTON. I do.

Chairman ROTH. Thank you, please be seated.

TESTIMONY OF DENNIS A. MORTON, CHIEF, WESTERN SECTION, OFFICE OF INTELLIGENCE, DRUG ENFORCEMENT ADMINISTRATION, AND LT. RICHARD W. WRIGHT, ORGANIZED CRIME INTELLIGENCE DIVISION, LOS ANGELES POLICE DEPARTMENT

Lieutenant WRIGHT. To my knowledge, this particular film is the only film available that has been filmed inside Japanese organized crime, commonly referred to as the "Yakuza." It does provide an accurate overview of Japanese organized crime and shows the problems facing law enforcement in Japan and what is becoming a growing problem here in the United States.

[Film presentation.]

[At this point, Senator Rudman entered the hearing room.]

Chairman ROTH. Gentlemen, do you have a prepared statement you want to give at this time?

Mr. MORTON. No, sir.

Senator NUNN. It is my understanding we cover most of this in questions we have got.

Chairman ROTH. Senator Nunn.

Senator NUNN. I will lead off.

Mr. Chairman, due to the fact many of the individual Yakuza members are generally referred to in this presentation, some of them are subject to ongoing criminal investigations, both DEA and L.A. police have requested we refrain from questions which would require them to disclose the identity of certain individuals or particular investigations. We would certainly respect that. Any questions we have that inadvertently would lead in that direction, you can let us know about it and we will refrain from doing that.

Mr. Morton, the Yakuza, as a criminal organization, is apparently not yet generally recognized or known by the American public at large. From your testimony this morning I assume this group is now showing increased interest in pursuing activities within the United States; is that correct?

Mr. MORTON. Yes, sir.

Senator NUNN. The potential for their criminal expansion in this country is a sobering fact, given Japanese past experience. Is American law enforcement on the Federal level aware of Yakuza and their potential impact on criminal activity in the United States?

Mr. MORTON. Senator, generally not. Because they are not aware, they haven't taken a lot of interest in it. Most of the interests we are aware of have taken place along the west coast where there is a large Japanese—both tourist and resident—population, and also in the Pacific Islands, particularly Hawaii.

Senator NUNN. How about in those areas, California and Hawaii, are local and State law enforcements aware of the problems?

Mr. MORTON. Increasingly so. I think DEA probably deserves credit; our activities in Hawaii have been transferred to California and our Western region which encompasses the five Western States. We have brought it to a lot of peoples' attention. Of course, the Los Angeles Police Department has had an effort in that area for some time.

Senator NUNN. What type crimes are Yakuza members mostly involved in here? Have they gotten heavily involved in drug traffic at this point?

Mr. **Morton.** Senator, to the best of our knowledge, narcotics trafficking from Japan to the United States is not an official function of Japanese organized crime. There are instances of it, and we are aware of it. We have had several cases. But generally what we see is that they are starting to invest the money in legitimate businesses and also setting up businesses as fronts, and, of course, narcotics trafficking is part of it.

Senator **Nunn.** They are engaged in narcotics trafficking then?

Mr. **Morton.** There are members of the Yakuza who do engage in narcotics trafficking. I am sure that the various Yakuza organizations do take their part of the cut, but it is not an official function as is pornography or gun smuggling.

Senator **Nunn.** What crimes are they now engaged in in the United States primarily?

Mr. **Morton.** Sir, from a drug enforcement standpoint, we are aware of some narcotics traffic, and we also have come across some attempts to smuggle guns from the United States into Japan. Other than that, we have only seen indications of them possibly sending some representatives to some meetings of large American corporations.

I believe that is it.

Senator **Nunn.** Lieutenant Wright, what problems has the police department encountered in attempting to monitor Yakuza activity in the United States?

Lieutenant **Wright.** There have been a number of problems, but to go back to your prior question, Senator, I would like to answer regarding the activities we have seen in the Los Angeles area.

Senator **Nunn.** Good.

Lieutenant **Wright.** The Yakuza in the Los Angeles area have been involved in both legitimate and illegitimate enterprises. Their illegal activities would include narcotics transactions, gun smuggling, prostitution, and extortion.

Additionally, there are strong indications of money laundering through legitimate businesses. These illegal activities have primarily been restricted to the Japanese community and to the Japanese tourist trade that comes to Los Angeles.

To go on to the second question, Senator, the problems that we have encountered are several: The first problem is overcoming the cultural and language barrier. Most Yakuza, as the film indicates, speak only Japanese, and we have few law enforcement officials that have the ability to speak Japanese. That naturally inhibits the ability to interview either subjects or victims.

A second problem is the current lack of expertise by U.S. law enforcement personnel. Additionally, there is a lack of rapport with the Japanese National Police. The Japanese National Police Agency is a very formal organization and personal meetings, because of cost and distance, have been few and insufficient to establish the personal rapport necessary for intelligence purposes.

Underlying all these problems, particularly in California, is the negative effect proposition 13 has had on local resources.

Senator **Nunn.** What about the *Inada* case, are you familiar with that?

Lieutenant **Wright.** I am aware of the case, sir.

Senator **Nunn**. Could you give us details on that?

Lieutenant **Wright**. Mr. Morton's organization handled that case.

Senator **Nunn**. Mr. Morton?

Mr. **Morton**. Senator, what happened, is that in 1972, Waltaru Inada, member of the Sumiyoshi Kengo went to Honolulu and established a touring company which catered to Yakuza members visiting the islands from Japan. Subsequent investigation by the Honolulu resident office found that Inada was a major supplier of Southeast Asian heroin, and one of the lines or organizations he was supplying was a traditional organized crime group located in the Continental United States.

Unfortunately, Inada, the case was concluded in 1973, was murdered prior to his trial, so we were unable to find the actual source of supply. But we did establish a connection with traditional organized crime.

Senator **Nunn**. How does this group compare to traditional organized families?

Mr. **Morton**. Senator, it is very similar in that there is a boss, a top person and under him is a very structured organization. Everybody has a function and they take care of certain areas of illegal interests. Also, they are members for life.

One of the major differences is that in the Yakuza, the Oyabun, who is the boss is more of a father figure than, let's say, a godfather is. He is the godfather, but he is also a father figure.

Senator **Nunn**. We heard testimony this morning that numerous law enforcement authorities believe that Yakuza has a potential for becoming a dominant force in the trafficking of Southeast Asian heroin into the United States.

Do you share that belief?

I would ask either of you, if you would like to comment on that.

Mr. **Morton**. Senator, they undoubtedly do possess that potential. They have the organization, they have the discipline, they have the expertise. They do not have a distribution system. There is really no doubt in our mind that they are capable of moving Southeast Asian heroin from that area of the world to the United States.

Once they get it here, they are going to have a problem, but because of their discipline and the way the organization is set up, they do have the potential.

Senator **Nunn**. What do you mean by "lack of a distribution network in the United States"?

Mr. **Morton**. Senator, traditionally, their illegal activities here and, of course, in Japan, have been with their own ethnic community. Well, there is no heroin addict population among the Japanese. So if they brought it here, they would have to have a distribution system to get it beyond that community and to the streets. They don't have it.

Senator **Nunn**. Lieutenant Wright, how do you view this potential problem of Yakuza becoming a major network in Southeast Asia heroin, from the California perspective?

Lieutenant **Wright**. I would agree with Mr. Morton. The potential is definitely there but, at the moment, they lack the ability to distribute heroin on the mainland.

Senator **Nunn**. Mr. Morton, have you seen the evidence of the transfer of money or laundering of money by the Yakuza?

Mr. **Morton**. Yes, sir. In particular, one instance, in 1978, and we have found this information out since then, a bank was established on Ponape. In mid-1979, that bank was closed. The depositors were not given their money. Subsequent to that, we found out some Japanese nationals had been extorted to put money in that bank. We also found out many of the people who set up the bank were, in fact, members of Japanese organized crime.

At about the same time that bank closed in 1979, some of those same people attempted to open another bank. They were unsuccessful. But in interviewing people that were on the scene, we were able to learn that several Japanese nationals had arrived at that bank carrying suitcases full of U.S. currency.

Also, Senator, in Hawaii, we have seen the investment of large amounts of Japanese organized crime money in legitimate businesses, and we think that is a way of laundering money.

Senator **Nunn**. Do you see any danger of the Yakuza organization teaming up with traditional organized crime in this country for distribution purposes?

Mr. **Morton**. Sir, it is feasible. Did you say——

Senator **Nunn**. Do you see any evidence of this now? Or do you just think it's a potential?

Mr. **Morton**. Sir, I cannot say that there is evidence of them doing it, other than that the 1979 case, but it is very possible.

Senator **Nunn**. What has been the effect, Lieutenant Wright, of proposition 13 on law enforcement in Los Angeles?

[At this point, Senator Chiles entered the hearing room.]

Lieutenant **Wright**. Although proposition 13 was not intended to hurt either police or fire services, the net result has been that it has reduced revenues to the cities and counties of California. It has hurt law enforcement by causing a decrease in the authorized strength of personnel and by causing needed equipment to either be delayed or deleted from budgets. Specifically, the Organized Crime Intelligence Division of the Los Angeles Police Department lost 17 percent of its total sworn complement as a direct result of proposition 13.

Additionally, in Los Angeles, for example, the financial problems have caused the city fathers to move in the direction of reducing pensions for police and fire personnel. This, in effect, has hurt morale, so the net effect of proposition 13 has been to reduce resources and cause a decline in morale.

Senator **Nunn**. You mentioned that the Yakuza organization has a variety of identifiable groups in Japan. How many of these groups have you seen in the United States?

I will ask either of you that question.

Lieutenant **Wright**. Senator, in Los Angeles, we have identified three separate groups of Yakuza.

Mr. **Morton**. Senator, from DEA's point of view, our encounters have generally been with four, the Yamaguchi-Gumi, Sumiyoshi-Rengo, Inagawa-Kai, and Toa-Yuai-Jigyo-Kumai.

The last group is ethnically Korean and located in Japan, traditionally known as the Tosei-Kai. It is now known as the Toa-Yuai Jigyo-Kumai.

Those are the groups we have had the most encounters with.

Senators, I would also like to add to my answer to your other statement, or to your other question. We do have evidence and we have seen Japanese organized crime members in the presence of traditional organized crime members.

Senator Nunn. I didn't understand that last point.

You have seen what?

Mr. Morton. We have seen Yakuzas in the presence of traditional organized crime members, particularly in Hawaii and in Las Vegas. Whether they were conducting business, we don't know, but they have been in the physical presence of each other.

Senator Nunn. Did you find anything in the *Inada* case relating to evidence of a Yakuza contract for heroin trafficking?

Mr. Morton. Sir, none in that case, but in 1979, three couriers were arrested in Honolulu. As a matter of fact, I have a picture of one of those couriers if you would like to see it. It shows how the tatoos are hidden once their clothes are on. Subsequent to our arrests in Honolulu, the Japanese National Police were able to secure a search warrant for the residences of those three couriers, and I do have a translation of a contract that was found in one of their residences.

Senator Nunn. Who was involved in that contract? Who was the contract with? Was it really in the form of written instructions, or what was it?

Mr. Morton. Yes, sir, it is very specific. I think it really displays the discipline by which the organization is run.

Senator Nunn. Go over it.

Mr. Morton. I will read the last part. This is No. 1, "Trip to Bangkok, Thailand." It says:

> $5,000 for one trip plus $500, more or less, for your pocket money. Your group leader will determine the amount. You must pay for whatever you want to buy there as souvenier. Your leader will pay for your hotel and three meals. He/she will also pay for your drinks up to $75 at a time.

So far they are paying for the hotel, the meals and every time they sit down and drink, they are getting another $75.

No. 2, "Trip to Guam, Hawaii or the Continental United States." It says:

> Your group leader will pay for your tickets, hotel, and meals. You will have to pay for other expenses like drinks or snacks.

No. 3, I think this is the crux:

> As stated in one above, you will be paid $5,000 each trip. If you have any objection, it means you will be out. You are again advised that you will not get a penny if you fail to obey instructions given but the financer or middleman.

And we know "financer" in this case means Japanese organized crime. What we have is a contract for narcotics smuggling—on this paper, something we don't commonly see with domestic cases.

Senator Nunn. Where was that seized again?

Mr. Morton. In Japan, sir.

Senator Nunn. By whom?

Mr. Morton. By the Japanese National Police.

Senator Nunn. Mr. Chairman, that is all the questions I have.

Chairman Roth. I just have two or three questions I would like to ask you.

First, what degree of cooperation have you had with the Japanese Government or their police officials? How would you rate it? Has it been excellent? Will they furnish you information as to who is involved in these organized crime groups?

Mr. MORTON. Senator, we have an office in Tokyo and my knowledge comes from talking to our agents there. I have never heard them complain.

Chairman ROTH. You are saying that as far as you know, it is very good.

Mr. MORTON. Yes, sir.

[At this point, Senator Nunn withdrew from the hearing room.]

Chairman ROTH. I would submit that question in writing. If you could check that out, I would be interested in further clarification on that point.

Mr. MORTON. Yes, sir.

Chairman ROTH. Second, these Japanese nationals who come to this country, of course, are not citizens. If you can identify them, why can't we get rid of them?

Mr. MORTON. Senator, we haven't identified a lot of them.

Chairman ROTH. Have we asked the Japanese to identify them? If not, why not?

Mr. MORTON. Yes, sir, but when the tourists apply for visas in Japan and—we are talking about a lot of tourists—these people come as part of a tourist group. Really the missing finger is one of the best ways we have of identifying them when they come through customs. In Honolulu, particularly, where I have some experience, we are talking about hundreds and hundreds of people coming in when the plane unloads. It is really difficult picking Japanese Yakuza couriers out from the tourists.

Chairman ROTH. If I understand your testimony, I gather the Japanese police have pretty comprehensive records of those who are involved in these crimes, is that correct?

Mr. MORTON. Yes. To the best of my knowledge, that is correct, Senator.

Chairman ROTH. If that information could be put on computers, I wonder if it wouldn't be possible for our authorities to do a better screening job, or at least know who they are once they go through the various ports of entry.

Mr. MORTON. Senator, I am assuming you are correct. In 1980 it was estimated there were over 100,000 different Yakuza members. In the Yamaguchi Gumi alone we are talking over 11,000, whereas some other groups may have half of a dozen. I am not prepared to talk about the problems.

Chairman ROTH. Sure. I am not being critical of you. I am just trying to understand why our Government might not be able to take more effective action. I take it these organizations in Hawaii and southern California, I guess, are handled by people who are not here as tourists but must be staying a reasonable period of time.

Is that correct or not?

Mr. **Morton.** Sir, the way we see it, and we are fairly new at this, it is like a second or third generation Japanese person who is here may be a representative of one of those groups.

[At this point, Senator Nunn entered the hearing room.]

Mr. **Morton.** He works at their discretion and he may work with several different groups. He might meet with a Sumiyoshi Rengo and the next time with someone from the Yamaguchi Gumi.

Lieutenant **Wright.** The authorities in Hawaii have had success in deporting certain Yakuza members. That avenue is used when it is possible to do so.

Chairman **Roth.** Do you have any personal experience with that? I wonder how difficult it is to remove undesirable aliens.

Lieutenant **Wright.** The Hawaiian authorities I have spoken to have indicated that deportation has assisted them with their problem. It is one of the tools they do use once they can establish there has been entry by somebody that is deportable.

Chairman **Roth.** Senator Rudman?

Senator **Rudman.** Thank you, Mr. Chairman.

I have really the same question for both witnesses.

It seems from your testimony that what you are basically saying is that the potential for transporting the drugs from Southeast Asia by these Japanese organized crime groups is quite good, but their possibility of distribution is not that good because of language.

My question to you is individually, both of you, how good do you consider your intelligence out there in terms of whether or not they start penetrating through distribution? It would seem probably more than most they have the contacts and the facilities and the funds to do the transporting but not the distribution; but should they decide to move into distribution, how early on are you going to know about that? I think I ask that of you first, Lieutenant, then on to you, Mr. Morton.

Lieutenant **Wright.** Our department first became aware of their presence in 1978. It was monitored for a couple of years and I am referring specifically to one or two individuals who periodically traveled to the Los Angeles area. Their presence subsequently increased and, in February of this year, 1981, the responsibility for the monitoring was transferred to the organized crime intelligence division of our department. We have had ongoing investigations since that time.

What we are dealing with is a relatively new phenomenon in the Los Angeles area. The investigations are relatively recent. We have recognized the impact in Los Angeles. There has been an impact in the San Francisco area and the authorities are working on it there.

The California Department of Justice is also aware of the problem and is currently setting up training for law enforcement personnel so that we will have a better capability of controlling the threat.

Senator **Rudman.** So the traditional methods that you use for intelligence gathering, I assume, are being put in place so that if, in fact, the distributive channels for this group start to move out of the Los Angeles area, let's say to Chicago, New York, wherever, you can target this group as well as the other organized crime groups. Is that accurate?

Lieutenant WRIGHT. That is correct.

Senator RUDMAN. How about with your agency?

Mr. MORTON. If they accepted heroin trafficking to the United States as an official function, we would know about it early on with our efforts in Japan and Southeast Asia and, of course, domestically.

I just cannot see where they could do it for very long without us knowing or even make large preparations to do it.

Senator RUDMAN. I would assume that they face the same problem with the language barrier in terms of distribution that you do in terms of detecting what they are doing. However, I have to assume—at least I hope I am right from what I know about your covert operations—that should this become a new channel of supply, let's say, in Chicago or the Boston area, because of what you have placed in those areas, you would certainly know pretty soon that that was a new source that was starting to move products into the area.

Is that an accurate statement?

Mr. MORTON. I think so. Yes, sir.

Senator RUDMAN. Without going into details, is that accurate?

Mr. MORTON. Yes, sir. We have no fear that if they do get into this in a big way, if they do exploit this potential, that we will know about it.

Senator RUDMAN. You will know pretty early on, I would hope.

Mr. MORTON. Yes, sir.

Senator RUDMAN. Would it be fair to say that in both your cases that your intelligence gathering has generally been good, not necessarily in this area, but a variety of areas?

Of course, knowing about it and doing something about it are two different things; is that an accurate statement?

Lieutenant WRIGHT. Yes, I think that is accurate. I believe there has been prior testimony before this subcommittee relative to some of the problems intelligence units have faced recently obtaining information, such as the Financial Privacy Act and the Tax Reform Act of 1976.

Senator RUDMAN. You would find both of those to be inhibitions in respect to what you are doing?

Lieutenant WRIGHT. I would say they have definitely hurt our efforts in gathering intelligence on organized crime groups of all types.

Senator RUDMAN. Does the LAPD organized crime unit extensively use electronic intelligence as well as informants for its normal sources of data?

Lieutenant WRIGHT. We do not have a wiretap law in the State of California, which is another one of our problems at the present time, sir.

Senator RUDMAN. You don't have any wiretap law at all?

Lieutenant WRIGHT. No, we do not.

Senator RUDMAN. So any wiretapping in California is done strictly by Federal authority?

Lieutenant WRIGHT. Yes, in that case, we must bring in Federal agents and use title III.

Senator RUDMAN. You cannot even apply to a court for a wiretap in the State of California?

Lieutenant WRIGHT. No, Senator, we cannot.

Senator RUDMAN. That is incredible.

Chairman ROTH. Gentlemen, we appreciate your being here.

Senator Chiles?

Senator CHILES. No questions.

Chairman ROTH. There may be some additional written questions we would want to submit to you. We all appreciate you being here.

Senator NUNN. Thank you very much for all your help and cooperation. Both of you have been very helpful. We particularly hope you will express our appreciation to the police department, your chief, so forth.

Chairman ROTH. Our final witnesses today will be Admiral Thompson, who is chief, Office of Operations of the U.S. Coast Guard and Lt. Comdr. Terrance P. Hart, acting chief, General Law Enforcement Branch of the Coast Guard.

Gentlemen, under our subcommittee rules, all witnesses must be sworn in.

Would you raise your right hand?

Do you swear that the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Admiral THOMPSON. I do.

Commander HART. I do.

TESTIMONY OF REAR ADM. D. C. THOMPSON, CHIEF, OFFICE OF OPERATIONS, U.S. COAST GUARD AND LT. COMDR. TERRANCE P. HART, ACTING CHIEF, GENERAL LAW ENFORCEMENT BRANCH, U.S. COAST GUARD

Chairman ROTH. Please be seated.

Gentlemen, I apologize for keeping you waiting so long. I appreciate your cooperation in being here. You can either read your statement or summarize it.

Admiral THOMPSON. I have a fairly brief statement.

Mr. Chairman, members of the subcommittee, I am Rear Adm. D. C. Thompson, chief of the Coast Guard's Office of Operations.

Accompanying me today, as you requested, is Lt. Comdr. Terry Hart, who is acting chief of our General Law Enforcement Branch.

It is a pleasure to appear before you today to report on the Coast Guard's efforts in interdicting drug trafficking.

As you know, the Federal effort basically encompasses interrelated programs. They are eradication at the source, education of the consumer, and interdiction of the trafficker.

The Coast Guard's role falls within the interdiction phase where we stand as coequal partner with the Drug Enforcement Administration and the U.S. Customs Service. Inspection of the Federal drug interdiction effort shows each of these agencies seized numerous types of controlled substances during the routine course of their operations; however, each agency's particular dedication of resources in accordance with their mission responsibilities leads to interdiction of certain specific drugs. Thus, the Coast Guard intercepts the greatest portion of marihuana that is interdicted by the Federal agencies.

The Coast Guard's role is dictated by the fact that marihuana is a bulk commodity, commonly shipped by sea and readily detectable during at-sea boardings.

Most drug traffic originates in the Caribbean, generally along the north coast of Colombia in the vicinity of the Guajira Peninsula. As the smuggler sails north, he generally passes through one of the four channels, or as we call them choke points, then proceeds toward the Bahamas, Florida, or the gulf coast.

Some vessels attempt to avoid the law enforcement pressure off Florida by offloading further north along the mid-Atlantic or New England seacoasts. The choke points are an important geographical advantage that concentrate targets so that one or two cutters with helicopters can completely cover each passage.

Approximately 60 percent of all marihuana smuggled into this country, and that is some 6,000 to 9,000 metric tons per year, is transported by sea.

Coast Guard drug enforcement strategy is directed at ships having the highest potential for distributing the flow of drugs.

[At this point, Senator Rudman withdrew from the hearing room.]

Admiral THOMPSON. Most of this traffic is conducted by larger vessels called motherships, intending to offload their cargo to smaller vessels once they are adjacent to the U.S. coastline.

Our analysis shows these motherships generally to be 60 to 200 feet in length vessels. One mothership seizure may remove as much marihuana from the smugglers as would 10 to 20 smaller seizures closer in to shore.

Clearly, we interdict larger quantities of marihuana for the effort by seizing motherships before they disperse their loads.

To make the most effective use of our resources, therefore, we attempt to interdict motherships in the choke points. An analysis of our cutter usage shows we have been able to effectively occupy the passes no more than about 18 percent of the time.

To increase that percentage, we are progressing with a series of initiatives which we hope will at least result in a 25-percent occupation of those choke points. We found that our effectiveness in interdiction efforts as related to seizures is a linear relationship which is directly proportional to our time on station.

Thus, when we expanded efforts in the choke points last fall after the Cuban exodus flotilla, we were able to greatly increase the number of seizures and eventually interdicted greater than 30 percent of the maritime drug traffic during October, November, and December 1980.

During normal operations our patrols are abated after a seizure and arrest in order to promptly return the prisoners to the United States for hearings before a magistrate.

This action causes substantial loss of patrol time which cannot be effectively recouped. We are currently examining alternatives to this procedure which may alleviate the impact.

For instance, we have entered into an agreement with the Navy to permit the transfer of prisoners ashore at Guantanamo where they are promptly flown to Florida for appropriate judicial action.

There vessels are moored under appropriate security and eventually taken to Florida while the cutter is able to complete the scheduled patrol. This procedure should work well for the Windward Passage, but is not available for use in the Yucatan Channel. We are comparing what is termed "the right to prompt determination of probable cause for detention" with the situation of arrest hundreds of miles offshore to see if we can complete our scheduled patrols.

The Coast Guard's overall 10-year goal is to interdict 75 percent of the marihuana trafficked in the marine environment. A 5-year goal of 50 percent has also been established. We have based our 10-year interdiction goal on the economics of marihuana smuggling where the rate-of-return on investment is estimated to be approximately 10 to 1.

We believe the trafficker will continue to operate in the business as long as a certain return on investment is met or exceeded.

If the return falls below this threshold value, which we believe to be about 25 percent, the assumption is the investors in the smuggling trade will seek an acceptable return elsewhere or change to another mode of trafficking, probably air transportation.

Our interdiction analysis illustrates the enforcement level required to reduce the smugglers net return to 25 percent. The cost of purchasing marihuana at the source and the retail level has remained essentially constant over the past few years.

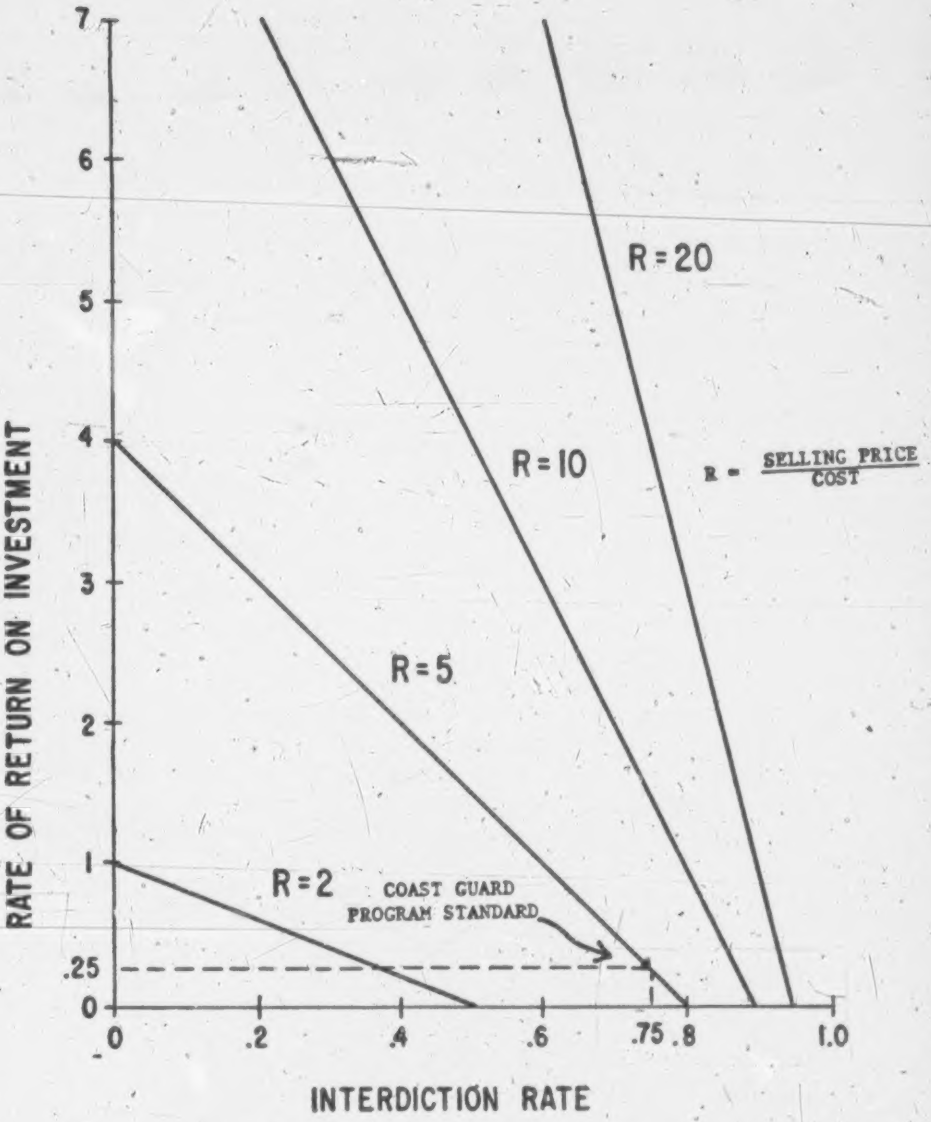
Additionally, the costs associated with shipping large quantities of contraband are not significant when compared to the profit made by the smugglers. We have, therefore, assumed those overhead costs would remain fixed. Given those factors, the only practical means of influencing the economics of this trade is to seize enough drugs to truly reduce the profit margin.

We have attached a graph to this statement which shows the relationship at the various profit ratios. Taking a look at a very conservative unit selling price to unit cost ratio of only 5 to 1, we can see that a 75-percent interdiction rate is necessary to reduce the net profit to the threshold value of 25 percent.

We feel this interdiction level is a conservative goal since a well-organized smuggling organization would probably achieve a ratio higher than 5 to 1.

[The following is submitted for the record:]

SMUGGLING PROFIT PROFILE



Drug trafficking has become a big business, as we heard, with organized crime elements greatly involved and the citizens of the United States the eventual losers.

In fiscal year 1981, the Coast Guard seized $2.6 billion worth of illicit substances, primarily marihuana with lesser amounts of methaqualone and other drugs. We show this in a table of statistics attached to my statement.

[The following is submitted for the record:]

GENERAL LAW ENFORCEMENT CONTRABAND SEIZURES BY CALENDER YEAR

	1973-76	1977	1978	1979	1980	1981
Seizures by Coast Guard	44	45	148	110	149	131
Seizures by other agencies with Coast Guard assistance	20	20	30	25	19	14
Marihuana pounds by Coast Guard	346,395	1,042,629	3,321,038	2,672,854	2,494,774	1,689,799
By other with Coast Guard assistance	159,634	169,518	326,826	353,450	243,127	543,918
Cocaine pounds by Coast Guard	64.0	0	0.01	0.01	0	0.10
Cocaine pounds by assistance	4.4	0	0.01	0	10.01	0
Hashish pounds by Coast Guard	6,139	0	0	43,550	564	0
Hashish pounds by assistance	2,000	1,700	1,100	1	168	0
Hashish oil by Coast Guard	0	0	0	0	5	0
Thai sticks pounds by assistance	10,185	17,130	0	0	12,683	0
Thai sticks pounds by assistance	0	0	5,500	251	0	0
Dangerous drugs (doses) by Coast Guard	0	200	500,000	4,186,060	514,584	5,961,009
Arrests (total)	285	306	904	572	719	532
Value of contraband (millions) total	224.66	435.13	1,345.04	1,910.97	1,374.07	7,257.13

GENERAL LAW ENFORCEMENT CONTRABAND SEIZURES BY FISCAL YEAR

	1973-76	1977	1978	1979	1980	1981
Seizures by Coast Guard	36	34	141	106	93	198
Seizures by other agencies with Coast gvard assistance	16	19	27	27	18	21
Marihuana (pounds) by Coast Guard	213,037	778,527	2,004,663	2,849,631	1,175,470	3,261,570
By other with Coast Guard assistance	36,232	111,660	267,086	339,929	279,485	662,081
Cocaine (pounds) by Coast Guard	64.0	0	0.01	0.1	0	0.10
Cocaine (pounds) by assistance	4.4	0	0.01	0	10.01	0
Hashish (pounds) by Coast Guard	6,139	0	0	41,580	2,534	0
Hashish (pounds) by assistance	2.000	1,700	0	1,100	2	167
Hashish oil by Coast Guard	0	0	0	0	5	0
Thai sticks (pounds) Coast Guard	6	10,185	17,130	0	12,623	0
Thai sticks (pounds) by assistance	0	0	0	5,751	0	0
Dangerous Drugs (doses) by Coast Guard	0	200	0	500,060	4,700,557	5,961,036
Arrests (total)	204	239	826	622	399	946
Value of contraband (millions) total	148.03	309.51	1,216.14	1,772.41	1,038.71	2,615.82

Even with these results I have indicated, I feel we have failed to deter drug trafficking at sea. Large profit margins, coupled with a low interdiction percentage make drugs an attractive commodity for investment. Additionally, with the modest sentences given to those arrested, prosecuted, and convicted, deterrence to smuggling activity, in my judgment, is poor.

Prior to September 1980 with the passage of Public Law 96-350, the deterrence based on conviction if caught smuggling was almost nonexistent. Since the new law was enacted, prosecutions and convictions have increased dramatically. However, at the moment, it would appear that traffickers are still willing to accept the increased risk of prison sentences and fines as a cost of doing business.

Several initiatives before Congress may be helpful, but those which apply to interdiction operations will fall well short of deterring traffickers.

It is within that key word, deterrence, that the final solution, in my judgment, lies. In that respect, the Coast Guard fully supports many of the recommendations made by the Attorney General's task force on violent crime, especially those dealing with stiffer penalties, bail reform, and reform of the criminal justice process to enhance the ability to prosecute drug-related cases.

That constitutes my statement, Mr. Chairman.

Chairman **Roth**. Thank you, Admiral Thompson.

You speak about your long-term goal of interdicting 75 percent of the marihuana traffic in the marine environment. I would assume that in order to do so that that probably would require considerably more personnel and budget. How many people do you estimate the Coast Guard has involved in narcotic operations?

How would that compare with what you would need to reach this goal?

I wonder if you could comment on the costs as well?

Admiral **Thompson**. Our current budget for fiscal 1981 was $113 million directed at drug interdiction and for fiscal 1982, the estimate was about $130 million. I cannot comment yet on the 1983 budget. I would hope we continue drug interdiction efforts at least at the current level. I would have to submit for the record, I guess, the number of additional personnel and resources needed. To get the 75 percent is a very large number.

[The following is submitted for the record:]

Coast Guard drug interdiction efforts are or can be undertaken by the vast majority of our personnel and capital assets at any given time. Therefore, to quantify the personnel involvement is very difficult. The primary resources used in our drug interdiction efforts are the High and Medium Endurance Cutters, patrol boats, helicopters and fixed winged aircraft and, to a somewhat lesser extent, a variety of small boats at our various stations. At the present time the Coast Guard has the following resources: 18 High Endurance Cutters; 24 Medium Endurance Cutters; 78 Patrol Craft; 38 Fixed Winged Aircraft; and 113 Helicopters.

To reach the 75 percent interdiction rate would require the following: (a) maintenance, support, and operating funds to allow full utilization of present resources, and (b) additional resources as follows: 5/19 High/Medium Endurance Cutters; 57 Patrol Craft; 16 Helicotpers; 75 Utility Boats; 6/13 LRS/MRS Fixed Wing Aircraft Personnel: 669 Officers; 70 Warrant Officers; and 6,812 Enlisted.

The additional budgetary requirement for this would amount to a considerable sum as follows:

	1981 dollars
A.C. & I	2, 352. 5M
Personnel	150. 2M/year
Operating and maintenance	140. 2M/year

Chairman **Roth**. I would appreciate it if you would do so. The suggestion has been made by a number of us, in fact some action has been taken to free up the military to join in this kind of activity.

Do you see at least on a temporary basis that the Navy and the Air Force could be helpful in policing the illegal entry of marihuana by planes?

Would it be helpful to have more sophisticated radar and some of the other things available to the Navy and Air Force for your mission?

Admiral **Thompson**. It would certainly be helpful to have more intelligence information on the movement of particular vessels. We are not too much involved in the air trafficking aspect, but in the movement of vessels at sea additional information certainly would be usable. I would indicate, however, that we do enjoy right now significant sighting information from the Navy during the course of their normal operations.

Chairman Roth. I assume from what you are saying there, that is information they are sharing with you, information now available.

Admiral Thompson. Yes, sir.

Chairman Roth. Do you feel that additional information could be secured by the Navy or Air Force if they had the facilities, the more modern equipment radar, for example. What about other kinds of ships, so forth, than they now have for use in the Caribbean and other areas?

Admiral Thompson. I think any enhancement of the sensor systems that they have on their aircraft and ships would certainly be useful in providing us information. Part of the problem is they are not operating in the area all the time.

Chairman Roth. One of my concerns is that it appears it would take additional revenue and, of course, there are some restraints in that area.

[At this point, Senator Nunn withdrew from the hearing room.]

Chairman Roth. At the same time, we have to get the job done. To what extent we could borrow, if you want to call it that, at least temporarily from some of these sister services to help you in what is one of your primary missions?

Do you see that as a logical capital approach?

Admiral Thompson. Mr. Chairman, in short term and in concise operations, perhaps. If you believe it is a long-term problem, then I in my own personal judgment don't see the Department of Defense resources being diverted, if you would, to this particular mix. We have had under discussion joint operations, for example, where we might put some Coast Guard boarding officers abroad naval vessels if the opportunity presented itself so we could, in fact, get down to the searching and seizing part.

Chairman Roth. Earlier today, I don't know whether you were here or not, I made the suggestion that I thought it was highly desirable that in the Pacific basin we have some kind of a high level conference between officials of those countries involved in drug trafficking, talking not only about the law enforcement officials but high ranking officials in government, to try to get the kind of support, cooperation, and policies that will enable all the countries to bring a halt to this international illicit trafficking.

I wonder whether you think that would be also helpful from the standpoint of South America, whether some kind of international conference on drug trafficking might be useful?

Admiral Thompson. Mr. Chairman, I am sure it would be. We do have continuing dialog through State and through our own contacts and DEA in terms of movements in the Carribean. Any get together in terms of people concerned about the problem would, in my opinion, generally be useful.

Chairman Roth. I guess my concern is that while you have a certain amount of coordination at your level, there still seems to be considerable doubt both in Asia and South America as to our seriousness of intent. Perhaps there might be a number of advantages for such a high level conference.

Senator Chiles?

Senator Chiles. Admiral Thompson, I understand the Coast Guard is midstream in a procurement program for 13 cutters, 90 helicopters, and 41 Falcon jets.

We are in conference today with the House on the Coast Guard budget and there is $318 million included in both the House and Senate bills for this program.

Admiral, as you know, these cutters, helicopters, and jets are going to be coming off the production line, soon. In fact, the first cutter is due for delivery this coming January.

Can you tell us where the Coast Guard is going to assign these cutters, helicopters, and jets and what specifically is your asset criteria or your asset assignment criteria and what consideration or weight does the Coast Guard give to the drug war when you go into this assignment of assets?

Admiral THOMPSON. Senator, let me just take the cutters first. The 13 on order, I am sorry the first one won't be delivered until summer now, late spring.

Senator CHILES. Not until summer now.

Admiral THOMPSON. Yes, sir, there has been some slippage on that. But the first four of that new class of 270 foot medium endurance cutters will be assigned to Portsmouth, Va.

For hauls No. 5 through 13, determination of those homeports is still in the offering. I would say that the criteria for homeporting vessels of that size, while it might seem in the drug war, for example, we ought to put all 13 of them in Florida, the homeporting is really not that critical in terms of location if they are accessible to the operation in the Caribbean.

They do patrolling in transit. Some of the criteria or the elements we use to determine homeporting is we are attempting to cluster the new ones. They are fairly complex, minimally manned and we need to cluster their homeporting. We need shipyard availability. We look at the cost of living for our sailors, we look at the medical facilities, commissionary facilities, the quality of life for our people going to sea. We will see the last 9 of those 13 distributed with the bulk of them on the east coast and, in my judgment, there will be about 3 or 4 on the west coast. No more.

Senator CHILES. You seem to be telling me even though they are homeported at Portsmouth, that doesn't mean they won't be available for drug interdiction.

Admiral THOMPSON. They will be, sir. They are primarily for fisheries enforcement, drug interdiction, and search and rescue. We need the patrolling cutter concept. I might add the traffickers, the dopers, watch our homeports very closely and if they observe when we sail, they overfly us with spotter aircraft.

It isn't a bad tactic to have your vessels somewhat distributed and deploy them, where the action is, over the horizon.

The aircraft assignments have been hardened up for the most part. For example, at the air station in Miami, I believe they will get six of the first medium range surveillance aircraft and I believe they will get five or six of the new helicopters. These are actually replacements for the aircraft we have been operating in Florida. Those locations are generally replacements at the air stations that are in existence now, so we are not having capital outlays for new air stations around the country.

Senator CHILES. What kind of radar are those jets going to have? Are they equipped with FLIR?

Admiral THOMPSON. No, sir, not all of them. They have what I call a three-mode radar. Texas Instruments is making the first batch. They will sense oil on the water, small surface targets and, of course, weather and terrain as well. It is a highly improved radar, but it is not FLIR.

We are looking in some R. & D. areas for infrared. It is an option to put on them, but they are not on order.

Senator CHILES. They are not on order?

Admiral THOMPSON. No, sir.

Senator CHILES. The last question I ask is, what consideration or weighing does the Coast Guard give to the drug war when you are considering this assignment of assets?

Admiral THOMPSON. We term these cutters and aircraft multimission in the sense they are going to do all the mission needs that we have before us. Where the drug activity is higher which is in the Southeast that will be their primary mission.

I would like to submit for the record, if I might, the criteria we use, a little more formalized statement we use for the criteria of homeporting and how we weigh the mission needs.

[The following is submitted for the record:]

The Coast Guard locates its operating units first with respect to direct mission need criteria and second with respect to management efficiency. The problems inherent in meeting the first may preclude some methods of achieving the second, but every effort is made to make the best possible use of the resources on board.

Discussing specifically the 270′ Medium Endurance Cutter (WMEC) homeport criteria, to date the only homeporting decision that has been made, directs that the first four cutters of this class be located in Portsmouth, Virginia. This decision, like all such for larger cutters, was arrived at after considering several factors.

The first was mission need, i.e., accomplishment of services providing benefit to the taxpayer. With reference to the 270′ WMEC mission need, it is more an extended patrol detection, interception and interdiction capability that is required for law enforcement activities than it is one of quick response, unscheduled activities. Thus, homeporting these cutters where support is readily available can be accomplished without compromising their anticipated deployment profiles. This is not the case with smaller cutters and boats. Where response time to unscheduled incidents is the driving mission need, the aforementioned management efficiencies are foregone and the units are strategically located.

Other factors include the maintenance and training facilities available at a particular port. If these facilities are available, the ships located there will not have to sail from their homeport in order to obtain this necessary support. This allows more at-sea days for actual mission performance. Personnel considerations are also evaluated in determining a cutter's homeport. Here, factors such as cost of living, housing availability, medical and commissary facilities are examined. Sea duty is arduous and the crew, as well as their families, must be accommodated in a reasonable environment, if possible. In considering maintenance and support facilities for the 270′ WMEC, it is important to note that these cutters are designed and being built around a concept of using a shared maintenance augmentation team in a single port to reduce total personnel needs and to take full advantage of efficiencies of scale in both maintenance and supply.

Considerations of homeports for the remaining nine 270′ WMEC's is ongoing. The same criteria is being used. The cutters must be co-located (in clusters) for maintenance purposes. This could allow the repositioning of other cutters away from the vicinity of 270′ WMEC homeports.

The criteria for allocating new operational capital aviation assets are fourfold. First, the new assets must replace those obsolete or deteriorated aircraft now in inventory so that the Coast Guard may continue to fulfill all of its obligations in a cost effective manner. Second, when additional assets are made available, they are located in the areas which have been identified as having the greatest need over the long term. Third, resources are allocated to existing air stations to take advantage of the substantial investments in these physical plants. Continued assignment of additional aircraft and crews to a given station will soon exceed the design capability of that station. Once this point is reached marginal aircraft increases will require substantial increases in physical plant expenses, and consideration must be given to the adverse impact on the community and/or unit which may not be able to accommodate the greater numbers of Coast Guard personnel (housing, schools, etc. are all afffected). Fourth, the assets are allocated so that the optimum capability mix is achieved to perform a variety of operational tasks and provide services to the greatest number of people across all program requirements with the smallest asset base. Thereafter, all operating programs are continuously monitored, and the quantity and location of aviation assets are evaluated to determine instances in which marginal changes are indicated to meet long-range trends and new program developments. We have found it to be most cost effective to deploy aircraft and crews on a temporary, as-needed basis should situations arise which require immediate aviation coverage in a specific area.

These criteria have led to the current allocation plans for the new aircraft which are summarized below. Considerable effort is required to prepare each unit to receive a new aircraft type. Ground support and special test equipment must be acquired and installed, and initial stores of supplies must be established. Several years have already gone into this effort and the overall assignments are formalized at this time.

HU-25A:	*Number*
Mobile Tradiv	2
Mobile Sardiv	3
Miami	6
Corpus Christi	3
Cape Cod	4
Traverse City	3
Sacramento	4
Elizabeth City	3
Borinquen	2
Astoria	2
Los Angeles	2
HH-65A:	
Mobile Tradiv	3
Mobile Shopdiv	10
Brooklyn	6
Cape May	3
Miami	5
New Orleans	2
Kodiak	4
Houston	4
Savannah	3
Corpus Christi	3
San Francisco	3
Arcata	2
North Bend	3
Port Angeles	3
Traverse City	3
Detroit	3
Chicago	2
Los Angeles	3
Barbers Point	2

NOTE: Support aircraft required to maintain operational allowances during overhaul not included.

Our resource distribution process is dynamic, constantly being evaluated to respond to mission need while striving for management efficiency. The increasing emphasis and significance of drug interdiction activities in the Seventh Coast Guard District will be fully considered in future resource location decisions.

Senator CHILES. With the Cuban boatlift and influx of illegal aliens from Haiti, what effects have these operations had on your ability to perform drug enforcement?

Admiral THOMPSON. During the Cuban exodus, of course, we drew way down on our drug interdiction efforts. I think the traffickers were aware of that and capitalized on it. We kept our fleet down there, if you would, of aircraft and cutters that we had when they closed off Mariel, and we made a dramatic increase in the seizure rate.

Again, it is almost linear between what we apply and what we seize. The Haitian interdiction operation in my judgment is having a small impact on the drug interdiction process.

Actually, we have been catching more traffickers in drugs than we have Haitian interdictions in the Windward Passage. They have been more successful in interdicting drugs than Haitians.

Senator CHILES. The subcommittee has received testimony in the past concerning the corruptive influence of large sums of money generated from drug trafficking and the influence that has on Federal, State, and local enforcement officials.

Has the Coast Guard had any experience in finding the traffickers trying to bribe Coast Guard personnel in order to determine locations or planned operations or where the assignment of these cutters would be?

Admiral THOMPSON. Senator, we have had some instances of our people being approached. We are ever vigilent. We are not naive to think it isn't going on. We are trying to be very careful about the instructions we do give to our operating units, sealed orders, those sorts of things, so they are not really sure where they are going until they are out there.

Senator CHILES. I have been concerned about the lack of manpower and the condition of equipment of the Coast Guard.

Can you tell the subcommittee if you are limited in the kind of equipment you have, what requests the Coast Guard has made that have gone unfulfilled by the Congress and/or the administration?

Admiral THOMPSON. I can certainly submit for the record the requests we have made in the past. It is a balancing act, as I am sure you are aware, Senator. We have projections of what it would take to increase our effectiveness. Those are in the preliminary parts of the budget.

Senator CHILES. I would like for you to do that and if you would let me know how many aircraft you have available in the 7th District and how many cutters and how many aircraft and cutters you should have if you were really going to try to close the loop in the 7th District, if you were really going to try to shut off the flow of the marihuana and cocaine traffic that is coming by sea?

Admiral THOMPSON. Yes, Senator.

Senator, if I might, I add a footnote on there, in my judgment it would not be necessary to have them all stationed in Florida to be effective in the Gulf Caribbean area.

I think our homeporting strategy or our siting strategy for those resources——

Senator CHILES. Right now I am not necessarily looking for the assets to have to be in Florida, although that is always nice and you like to have them homeported there. I want to stop the flow.

Admiral THOMPSON. How many would need to be operating down there.

Senator CHILES. That is right. That is the 7th District because we are also considering—Senator Nunn is very concerned about the flow into Georgia. We are concerned about that whole Southeast area, of course, as the flow comes up through the Windward Passage and through the other choke points that it is coming up from the Caribbean.

Admiral Thompson. Yes, sir.

[The following is submitted for the record:]

The units required to achieve the 75 percent interdiction level are 24 high or medium endurance cutters, 57 patrol boats, 16 helicopters, 19 fixed wing aircraft and 75 utility boats. The required units would be operated in various locations on both coasts, however, the Seventh District would receive the largest proportion of resource hours including approximately; 55 percent of the large cutter time; 25 percent of the patrol boat time; 40 percent of the fixed wing time; 75 percent of the helicopter time; and 16 percent of the utility boat time.

Senator Chiles. Thank you, Mr. Chairman.

Chairman Roth. Thank you.

I would ask that you might submit that information, budget requests, say, for the last 4 years. I think it would be helpful to get a long-term look.

[The following is submitted for the record:]

BUDGET REQUESTS RELATING TO ELT MISSION, FISCAL YEARS 1979-82

[In thousands of dollars]

	OST stage	OMB stage	Cong stage	Opstage
Fiscal year 1979 requests:				
270′ MEC	86,600	86,600	100,750	100,750
Satellite comms	1,395	600	—	—
95′ WPB rens	9,746	9,746	7,000	7,000
MRS and MRS spares	107,031	107,031	100,817	100,817
SRR	28,977	28,977	9,733	9,733
C-30 inertial NavSys	860	860	—	—
Fiscal year, 1979 total	234,609	233,814	218,300	218,300
Fiscal year 1980 requests:				
270′ MEC	139,800	102,900	106,400	106,400
95′ WPB	7,940	7,940	7,940	7,940
Ren Clover	1,405	1,405	1,405	1,405
Satellite comms	1,200	—	—	—
Secure comms	1,560	—	—	—
Storis reengine	8,820	—	—	—
MRS	44,660	44,660	44,660	44,660
SRR	37,300	37,300	37,300	37,300
Fiscal year 1980 total	242,685	194,205	197,705	19,705
Fiscal year 1981 requests:				
270′ MEC	273,400	138,200	104,400	104,400
95′ WPB ren	16,065	8,234	8,234	8,234
Storis reengine	9,630	—	—	—
MRS	24,777	24,777	24,777	24,777
SRR	62,700	62,700	62,700	62,700
C-130 FLAR	8,739	8,739	—	—
Fiscal year 1981 total	395,311	242,850	200,111	200,111
Fiscal year 1982 requests:				
270′ MEC	198,500	182,600	176,930	(?)
95′ WPB	11,780	11,780	—	—
Storis reengine	10,590	—	—	—
HEC secure voice	1,740	—	—	—
MRS	34,830	34,830	34,830	(?)
SRR	107,120	107,120	107,120	(?)
Maintain LRS	20,700	—	—	—
C-130 FLAR	10,240	5,550	—	—
FLIR	18,020	8,000	—	—
Fiscal year 1982 total	413,520	349,880	318,880	—

One additional question that I have is, What kind of cooperation does the Coast Guard receive from the Caribbean or Central American countries in these efforts to interdict illegal drug traffic?

Admiral THOMPSON. Generally very good. We have a very good relationship with Panama, Honduras, et cetera, in checking out registry, in a hurry, of vessels that are flying their flag, if indeed we are getting permission to go aboard their vessel for searching, inspection, if you would.

[At this point, Senator Chiles withdrew from the hearing room.]

Admiral THOMPSON. In terms of cooperation, the Dominican Republic, Bahamas, and the Colombians are attempting to get active in their interdiction program. We occasionally have officers visit those countries. We share our techniques and our information with them.

Lately, Honduras and Jamaica are attempting to increase their at-sea presence, and we work with those people.

Chairman ROTH. Then the degree of cooperation from all those countries is satisfactory.

Admiral THOMPSON. For the most part.

Chairman ROTH. Including Colombia?

Admiral THOMPSON. Yes, sir.

Chairman ROTH. Senator Nunn is not here. I don't know whether he will have questions or not, but we will keep the record open.

[The following correspondence was received for the record:]

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION,
Washington, D.C., October 19, 1981.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that you have plans to hold hearings on November 10, 12, 13, 17, and 18 to inquire into the international drug trafficking problem.

As you know, the U.S. Coast Guard plays a key role in countering the smuggling of drugs into this country by sea. In my work as chairman and ranking Democrat on the Senate Commerce Committee during the last several years, I have a growing concern over the inadequacy of Coast Guard resources and the effect of this inadequacy on the maritime drug interdiction effort.

I would therefore appreciate the opportunity to testify at your hearings on our committee's experience with the Coast Guard program for quelling maritime drug smuggling.

With best wishes, I am,
Sincerely,

HOWARD W. CANNON.

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION,
Washington, D.C., November 23, 1981.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate, Washington, D.C.

DEAR CHAIRMAN ROTH: Enclosed is my statement[1] for inclusion in the record of your hearings on international drug trafficking. The statement focuses on the Coast Guard's maritime drug-interdiction program and the need to take action on a comprehensive anticrime bill that will improve our ability to combat the illegal drug trade.

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[1] See p. 453 for the prepared statement of Senator Howard W. Cannon.

Thank you for the opportunity to add my views to your hearing record.

With best wishes, I am,

Sincerely,

HOWARD W. CANNON.

Chairman ROTH. If he or anyone else has further questions, we would request that you answer them in writing.

Thank you, very much, Admiral.

Admiral THOMPSON. My pleasure.

Chairman ROTH. The subcommittee is in recess.

[Whereupon, at 12:50 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

INTERNATIONAL NARCOTICS TRAFFICKING

FRIDAY, NOVEMBER 13, 1981

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, under authority of Senate Resolution 361, dated March 5, 1980, Hon. William V. Roth, Jr. (chairman), presiding.

Members of the subcommittee present: William V. Roth, Jr., Republican, Delaware; William S. Cohen, Republican, Maine; Warren B. Rudman, Republican, New Hampshire; Lawton Chiles, Democrat, Florida; and Sam Nunn, Democrat, Georgia.

Members of the professional staff present: S. Cass Weiland, chief counsel; Marty Steinberg, chief counsel to minority; Howard L. Shapiro, staff counsel; and Katherine Bidden, chief clerk.

[Member at commencement of hearing: Senator Roth.]

Chairman ROTH. The subcommittee will come to order.

[The letter of authority follows:]

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on International Narcotics Trafficking on Tuesday, November 10; Thursday, November 12; Friday, November 13; Tuesday, November 17; and Wednesday, November 18, 1981.

WILLIAM V. ROTH, JR.,
Chairman.

SAM NUNN,
Ranking Minority Member.

Chairman ROTH. This morning our focus will be on South America and the Caribbean. We are indeed fortunate to have Ambassador Tom Boyatt, our representative to Colombia, and Edwin Corr, former U.S. Ambassador to Peru, who has just been nominated by the President to be Ambassador to Bolivia.

We also have Stephen M. Block from the State Department to address the current situation in Bolivia.

As our first witness, we will call on staff counsel Howard Shapiro and Don Marshall from the DEA. They will present a brief overview.

Gentlemen, will you please stand and raise your right hand?

Do you swear that the testimony you give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Marshall. I do.

Mr. Shapiro. I do.

TESTIMONY OF DONNIE MARSHALL, DEPUTY REGIONAL DIRECTOR, SOUTH AMERICA, DEA, AND HOWARD L. SHAPIRO, STAFF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Chairman Roth. I would ask that you summarize because we have a full morning. We will include the full statement as a part of the record.

Please proceed.

Mr. Marshall. Mr. Chairman, I am currently serving as Deputy Regional Director for DEA operations in South America, except for the country of Bolivia. I do not have a prepared statement this morning. I would prefer instead to give you a brief overview of what DEA does in South America and some of the problems that we are faced with.

We have as our highest level program the countries of Peru, Brazil, and Colombia. In Peru we have five agents currently. We work with the Peruvian investigative police as well as Guardia Civil. Peru is the source of about 50 percent of all of the illicit coca cultivation to the world market. Of this cultivation in Peru, if I could refer to the map of Peru here, about half of the cultivation is in the Tingo Maria and Upper Huallaga Valley, to the north, northeast of Lima.

The other half is in the mountainous area in the provinces of Cuzco and Puno in southeastern Peru.

The latest estimates that we have from the Narcotic Intelligence Consumers Committee indicate that there are about 35,000 acres of coca under cultivation in Peru. This is a very tenuous figure, however, and based upon some of our onsite surveys, we feel that there may be a lot more cultivation than that, possibly as much as 60,000 hectares in Peru.

Because of the vast amount of cultivation in Peru, we feel that the ultimate solution to the cocaine problem is in the field of economic development and crop substitution and destruction in Peru.

In late 1979 and early 1980, the U.S. Embassy in Peru worked with the Peruvian Government on several operations, actually two operations, called Operation Green Sea I and II. The purpose of these operations was to go into the chief illicit coca cultivation area in the upper Huallaga and get a reaction from local cultivators, traffickers and business people in that area to any type of eradication or destruction program that the Government of Peru could undertake or would undertake.

We surprisingly did not run into any organized or much organized resistance in that area and in fact we found several, many of the cultivators actually coming to the Peruvian authorities and saying if they were given proper assistance from the Government, they would destroy their crops themselves.

We feel that it is a bit optimistic to think that that would ever happen. However, it gave us hope that a crop substitution or eradication program would work in Peru and we are now embarked upon a 5-year economic development program with the Agency for International Development and a parallel 5-year enforcement program being undertaken by INM. We feel that we are on the right track in Peru and that in the next 4 or 5 years we will see some appreciable progress against the cultivation problem in Peru.

Moving to Brazil: Brazil has taken on an increased importance in the South American traffic in the last couple of years. As a result of a Brazilian program to control chemicals which are used in cocaine refining, we have noticed in the last couple of years that many Bolivian trafficking groups have moved their operations, their refining operations across the border, actually into Brazil to facilitate the ease with which they can obtain the chemicals necessary to refine cocaine into the finished product.

We have also noticed a bit of coca cultivation in Brazil up in the northwestern area along the border with Colombia.

So we are keeping a very close eye on the situation in Brazil and it has the potential to become much more active in the future.

Our third and most important operation in South America is, of course, the operation in Colombia. We have about 13 agents, 2 intelligence analysts and 4 secretarial, clerical support personnel stationed in Colombia at the present time. We work in Colombia with both the national police and the Attorney General's Office.

Colombia is a unique problem in that it is the source for three major drugs entering the United States. We estimate that between 50 and 70 percent of all the cocaine consumed in the United States either transits Colombia or is actually refined in Colombia. We estimate that approximately 70 percent of the marihuana consumed in the United States is cultivated in Colombia and the vast majority of the substance called methaqualone transits Colombia. So we are facing an enforcement problem in Colombia which is very unique because of the trilateral nature of the drugs that we are trying to combat there.

In the case of cocaine, it enters Colombia principally in base form, from Peru, Bolivia, and Ecuador. It enters by river, by private aircraft, commercial aircraft as well as overland. Almost any method that you can think of the traffickers are using that method.

The laboratories in Colombia are very portable. They are not sophisticated setups at all. They are literally pots and pans operations and can be moved at almost a moment's notice. For that reason, the interdiction efforts of the Colombian Government are very difficult.

[At this point Senator Rudman entered the hearing room.]

Mr. Marshall. We feel that the Colombian Government is doing a good job in their interdiction efforts but because of the nature of the cocaine refining process it is very difficult to control at that level.

This is another reason that we feel that the ultimate solution to the cocaine problem is at the source in the fields in Peru and Bolivia.

The second drug that we face in Colombia is methaqualone. We noticed about 2 or 3 years ago that this was a very fast-growing drug of abuse in the United States. We found from our seizures in the

United States that most of the substance was transiting Colombia prior to coming into the United States. As a result of that, we set an intelligence probe in Colombia to determine exactly how this drug was moving. We learned that the drug was being licitly produced in several European countries and was being placed into international commerce generally in a free port in Europe.

Once it entered this free port it would find its way into the illicit international commerce after which it was smuggled into Colombia, in raw power form, tableted in Colombia, and then smuggled into the United States. As a result of this intelligence probe we gathered along with the Colombian Government, sufficient information to show some of the producing countries in Europe that they have this problem.

At least one of the governments which produces this substance has agreed to stop all production of the substance.

The country of Germany has agreed to place stricter controls on the transit of this substance through its free ports. We feel that as a result of some of these operations we are making progress in the battle against methaqualone. We have, quite honestly, a way to go but we do feel that we are making progress. This is one of the international cooperative cases that we are quite proud of. We feel that it is a prime example of what DEA should be doing in its international operations.

The last drug that we face in Colombia of course is marihuana. We feel that between 50 and 70 percent or actually closer to 70 percent of the marihuana consumed in the United States is cultivated in Colombia. It is cultivated generally in small fields, in rough terrain, and up until recently the cultivation has been predominantly on the north coast of Colombia.

There is some evidence that the cultivation is spreading to other areas of Colombia and if we could keep up the pressure, the enforcement pressure that the Colombian Government has been undertaking for the last 9 or 10 months, we may see more of this shifting of cultivation.

Once the crop is harvested it is brought out of Colombia by aircraft and boat, principally by boat, by vessels that we refer to as mother ships.

They put into Colombia in numerous harbors and coves and clandestine rendezvous points on the north coast of Colombia. They are loaded in a very short time and they set sail generally under the cover of darkness and at that point proceed northward through one of the choke points and actually deliver their cargo to the gulf coast or the southeastern coast of the United States.

The Colombian Government has been very good in maintaining a high enforcement pressure in the last 9 or 10 months. They have created a 600-man antinarcotic unit on the north coast which is aiming its efforts almost exclusively at the marihuana cultivation problem.

There have been several reports that this Colombian enforcement pressure combined with some operations that have been undertaken in the United States by DEA and State and local law enforcement agencies has had a definite effect on the marihuana industry in Colombia. We are receiving reports now that the industry is somewhat depressed and is in pretty bad shape at the current time. We believe, however, that because of the vast area under cultivation in Colombia that this situation is temporary and we feel that the industry will at some point rebound and we will be faced once again with a severe enforcement problem.

For this reason we feel very strongly that some type of eradication or crop destruction program is the only long-term viable solution to the marihuana problem in Colombia.

One of the other programs that we are quite proud of in South America and which has had some effect on the cocaine market is the monitoring of ether and acetone both in Brazil and Colombia. Our program in Brazil was very successful and we have expanded it into Colombia and we have actually made with the Colombian authorities several cocaine seizures directly as a result of our monitoring of these essential chemicals.

I believe that pretty much summarizes our activities in the priority countries and if you have any questions I would be happy to try to clarify.

Chairman ROTH. I think we will first hear from Mr. Shapiro and then proceed with questions.

Mr. SHAPIRO. Thank you, Mr. Chairman.

I would like, with your permission, sir, at this time to insert a prepared statement into the record and then briefly summarize that prepared statement for your benefit this morning.[1]

Chairman ROTH. Without objection.

Mr. SHAPIRO. Mr. Chairman, Senator Rudman, I will now like to convey some of the impressions and information which Chief Counsel Weiland and I gathered during our trip to South America in early September. Over a period of 2 weeks we visited Jamaica, Colombia, Peru, and Brazil. In these countries we were able to speak to DEA personnel, State Department personnel and also host government officials, both diplomatic officials and law enforcement officials. Our basic purpose in making this trip was to acquire first-hand knowledge of the supply side efforts that are being made or are not being made in these countries, primarily for marihuana and cocaine. Another purpose was to convey to the officials in these countries the importance which is ascribed to this issue by the subcommittee.

While each narcotic source country presents unique circumstances to some degree, there are similarities. Lack of resources and manpower to combat trafficking is a constant problem which is compounded by various degrees of official corruption.

Concerns over internal political stability cloud overseas narcotic efforts as do the economic realities of these lesser developed countries where drug profits may be sorely needed avenues of foreign exchange. Doubts and skepticism over U.S. drug policies and U.S. commitments cloud both unilateral and bilateral efforts. The traditional and nontraditional use of drugs themselves in these source countries hinders antinarcotics efforts. In short, the obstacles to combating drug trafficking at the supply level are many.

There are no easy solutions, perhaps there are no solutions at all. As previously mentioned the most visible drug country in South America is Colombia. Not surprisingly the attitude of the Colombian Government toward antinarcotics efforts is complex. This became most apparent to us during a conversation with Dr. Rodolfo Garcia-Ordonez. Dr. Garcia is currently sitting on the Colombian Superior Court. Previously he was in charge of the judicial police narcotics unit. He stressed to us that the Colombian's position as the major drug country in South America is merely a geographical accident, the result of being situated between the U.S. market and the rest of South America, thus making it a natural transit point for cocaine from Peru and Bolivia.

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[1] See p. 461 for the prepared statement of Howard Shapiro.

Also various parts of the country have the perfect climate and terrain to cultivate marihuana. However, this may not explain why Colombia is the major processing and transit point for quaaludes, with the precursor methaqualone powder coming from Eastern Europe, nor why Colombians are heavily involved in trafficking cocaine from Peru and Bolivia through Brazil.

But Dr. Garcia told us that Colombia will not be embarrassed by allegations of a poor international image due to narcotics. Rather they take great pride in the steps that they have taken to combat drug trafficking despite limited resources and other domestic problems which must be faced. I would add at this point that we have received a fairly lengthy document from the Colombian Embassy here in Washington which we have had translated and we would like to place into the record at some point this morning.

Chairman Roth. Without objection.

[The document referred to was marked "Exhibit No. 3," for reference and follows:]

EXHIBIT NO. 3

Congressional Research Service
The Library of Congress
(Translation-Spanish)

Washington DC 20540

REPUBLIC OF COLOMBIA
MINISTRY OF JUSTICE

-I-

1. THE EXTENT OF THE NARCOTICS TRAFFIC IN COLOMBIA, ITS USE AND ITS PREDICTABLE TENDENCIES.

During the Second World War several marijuana crops were introduced on the Northern Coast of Colombia, in order to obtain textile fibers that were scarce due to the necessities of the war. At that time persons from the same region, of little culture and scarce economic means, located principally in the environment of the workers in the ports of Barranquilla and Santa Marta, consumed the grass without this being a significant problem.

It was after the beginning of the 1970s when, in the same region and especially in the area made up by the Sierra Nevada of Santa Marta in the territory of the departments of Guajira, Magdalena and Cesar, that they began the systematic cultivation of marijuana to be exported in almost all of its totality to the American market. Nevertheless, it was after the middle of 1977 that the production became intensified in an almost uncontrollable manner, due to the success of the campaign for the eradication of crops of the same type in Mexico.

The exportation of marijuana to the United States thus ended up bringing about a underground economy that was termed a "bonanza" through association with ideas with respect to the so-called "coffee bonanza," that had also brought the country a notable increase in its income in foreign currency. Studies made by governmental authorities as well as private groups showed that the product of the export of marijuana exceeded the total of legal exports, bringing as a consequence an uncontrolled increase in the value of real estate both in the rural sector and in the large cities. It also brought as a consequence the illegal trade of dollars and the introduction to the country of contraband and arms by compensation for the value of the grass located in that country. That illegal activity included the corruption of government officials and unleashed a struggle of groups making up the so-called "mafia of drug trafficking," which for reasons of "business" attacked one another as in a type of settling of accounts. This last situation caused grave problems in public order which made the intervention of the armed forces necessary.

The repressive activities of the authorities succeeded in controlling in large part after 1978 the marijuana crops and their exportation by controlling air space, which notably limited the clandestine flights of planes that frequently were sent to carry marijuana. With respect to its exportation by sea, the efforts of the Colombian authorities have been evident as well as the control that the American authorities are carrying out in their ports and territorial waters.

At the present time the consumption of marijuana in Colombia is of no importance, but its increase is predictable in proportion to the extent to which the drug traffickers find themselves frustrated in their business by the control of exports. In other words: in order to compensate for the decrease in profits due to the impossibility of exporting, they will introduce consumption in order to open a national market.

With respect to the cultivation of cocaine and the production and exportation of cocaine, it can be said :

Although since the pre-Columbian era the use of coca was already known in America, since the Indians chewed it in order to bring about greater physical activity, its cultivation did not take on importance until about four years ago, when the excellent market that cocaine has in the United States was discovered. Since then some peasants have replaced traditional crops and in the last two years the coca plantations have begun to be seen not only in the south of the country, where it traditionally existed on a small scale, but also in the zones of the eastern plains (Llanos Orientales) and the so-called national territories, for example in the comissariats of Cuaviare and Vaupes as well as the intendency of Caqueta. Those crops such as they are are being financed by the great drug traffic empresarios, since the distances and the lack of means of communication make such crops very expensive. In addition, the geographic location of the Colombian territory in the northwest corner of the South

America has made Colombia a place through which the cocaine from other countries such as Bolivia, Peru and Ecuador must pass. The value of ~~this drug~~ represents immense fortunes for the drug traffickers, who, in addition, can obtain it at relatively low prices.

It is precisely the high cost of cocaine that has been the decisive factor in the lack of internal consumption in Colombia and it can be predicted that for that same reason there will be none in the near future. With respect to the economics of the cocaine traffic, it can be said that also like that of marijuana, not only have new types of crime been introduced to the country, but also administrative corruption and of course the increase in price of some goods especially in property that, as repeated, has reached levels indicating a speculation that tries to legalize large amounts of capital through the system commonly known by the name of "laundeiing of dollars."

In summary: while the cultivation and exportation of marijuana have decreased notably in the last year, the cultivation of coca and the production and exportation of cocaine are increasing in an alarming manner, to the point in which where there exists a crop there exists the corresponding "laboratory" that makes it possible to process the leaf until obtaining the so-called paste base. And in the large cities the "laboratories"for obtaining cocaine which, as is well known, do not require sophisticated equipment nor important knowledge of chemistry. The domestic consumption of marijuana is very low compared with that of other countries if one keeps in mind the amount of marijuana that is exported, so that one can predict the possibility of the opening of a national market in view of the possibility of reducing exports. The domestic consumption of cocaine practically does not exist in Colombia, and it can be stated that 99.9% of the cocaine that is produced in the country or which comes from others is exported. So that it appears that a domestic consumption is improbable due to the high cost of the drug and the low resources or economic income of Colombians.

2. THE POSITION OF THE COLOMBIAN GOVERNMENT TOWARDS DRUG TRAFFICKING AND ITS USE.

Certainly the Government of Colombia is bent on combatting drug trafficking, not only seeking the eradication of the marijuana and coca crops but also the production of cocaine, its internal trafficking and its exportation. For that end, in addition to the legal provisions that define as an illegal, criminal activity the cultivation transporting, sale, use, etc., etc, with penalties that include deprivation of freedom, there is a high number of members of the public forces and legal police who are permanently in charge of repressing the drug trafficking activity in all of its stages. Through the mutual assistance pact signed in 1975 between our country and the United States, we received technical assistance from the United States. It is because of that that the Office of the Attorney General of the Republic administers an air group made up of a Piper Navajo plane, twin engine, two Bell 202 helicopters and a Bell 212 helicopter, which is being utilized together with the National Police, but which is highly meager in view of the magnitude of the problem.

In accordance with Decree 1188 of 1974, in addition to the repression mentioned, publicity campaigns and educational programs are called for, considered necessary for counter-arresting drug trafficking and the use of psychotropic drugs and alcohol. In addition, it stipulates and this is thus being carried out, the control of the manufacture, distribution and sale of substances that produce a physical or psychological dependency and it orders the treatment and rehabilitation of drug addicts. Unfortunately, the budgetary resources do not always make it possible to realize these activities in their totality, in spite of the good will of the government.

Colombia is one of the member countries of the South American Agreement on Drugs and Psychotropics and so it has adhered to international conventions in this area, sending representatives to the different international meetings of organizations formed for the control and utilization of drugs.

Although members of the private sector have pressured for obtaining the legalization of crops and trade of marijuana abroad, the Government of Colombia has permanently rejected that position and in no case has it adopted even the possibility of supporting policies that in some way could imply the legalization of activities directly related to the trafficking of narcotics.

To the enormous foreign market and the privileged geographic location of the country one must add as causes for the increase in marijuana and coca crops the difficult economic and social conditions that the Colombian peasant generally faces, so that he sees in that activity considered illegal by law an easier way of obtaining his modus vivendi, since the product of the traditional crops never comes close to the economic results coming from the other activity. That is why it is considered necessary to advance programs aimed at guaranteeing that sector of the Colombian people the replacement of crops through a long-range policy that, of course, will imply huge sums that the current national budget does not currently have.

The efforts made by the Colombian government to eradicate marijuana and coca crops and to counterarrest the illegal drug traffic are a true economic effort that on more than a few times has been in danger of neglect due to other no less important aspects of the public order. On the other hand, the assistance coming from the United States Government is from any point of view insufficient if one keeps in mind that the problem of drug trafficking is becoming more difficult to solve each day and is for that country a real danger since there more than 90% of the marijuana and the cocaine coming from our country are traded.

On these bases it is necessary to conclude that any solution to the problem requires the supplying ofmany elements, both technical and material, from the United States, of which one has an example with what happened with the Republic of Mexico, which properly assisted has managed to solve something more than 80% of the problem of narcotics trafficiking to the United States and internally. In Colombia the problem is difficult to treat when one observes how in places of the National Territory which are distant from each other and in long extensions there exist crops that are growing with the passing of the days.

Colombia has subscribed to bilateral agreements with the United States:

1. Motivated by the desire to make the cooperation between the two states more effective in the repression of crimes and
2. Out of the desire to realize a Treaty on Mutual Legal Assistance in Penal, Civil and Administrative Matters.

This is the reason for the Extradition Treaty between the Republic of Colombia and the United States signed in Washington September 14, 1979 and approved by the Congress of Colombia through law 27 of November 3, 1980, and which is pending ratification. This treaty allows collaboration between Colombia and the United States for the repression of all kinds of crimes and is an effective mechanism against drug trafficking.

In addition, on August 20, 1980, the treaty on Legal Mutual Assistance between the two nations was signed in Washington; it deals with matters of exchange and legal evidence, localization of persons, submission of documents, etc., and has also been ratified.

Statistics show clearly how labor during 1981 was intensive both with respect to the seizure and destruction of marijuana and cocaine, and in relation to drug traffickers captured and the confiscation of equipment used in their illegal activity.

In addition, in the effort to bring up-to-date their institutional equipment and in the search for a criminal code more in accordance with the national situation, a penal code was issued which includes the transfer of the so-called very dangerous to a penal law informed on culpability. At the same time, the National Congress has been asked for extraordinary powers to bring up-to-date the National Narcotics Statute in order to give in more clarity the punishable behaviors described there and to deal with certain situations faced by the country due to the sophisticated and new systems that the drug traffickers are using daily in order to continue their illegal traffic.

In addition the National Government is studying the appropriateness of unifying in only one agency such as a National Narcotics Institute the management and coordination of policy concerning narcotics. With the creation of this agency the campaign undertaken by Colombia to combat that scourge would be improved and also the duplicity of functions avoided and preventive policies, investigative policies of repression and rehabilitation would be integrated in a more harmonious manner to thus fully meet the proposed objective of discouraging the illegal activities to the maximum degree.

Our country has also been concerned with the economic and social recovery of lands dedicated to marijuana and other products or plants damaging to the national economy and the health of the people.

In order to deal with this, a program will be proposed which will be based and organized on the authorized intervention of the state, according to Articles 30 and 32 of the National Constitution, measures that range from the fostering and protection of agricultural cooperatives, and all types of economic, financial and tax incentives, to the declaration of end of ownership of those pieces of private property whose owners are unwilling with respect to the peremptory deadlines that would be set for them to end such cultivations or proceed to destroy them.

Finally, it should be noted that each country should plan immediately a vast information campaign on the damaging effects of all types of narcotics, for which the official means and private media will be used, such as the radio, television and press, as well as special and permanent conferences in high schools, schools, universities, through which youth will be warned on the effects of drug consumption. In addition, the State should create special clinical establishments that will deal with the physical and psychiatric treatment of the drug addict.

-II-

RELATION OF THE PRINCIPAL UNILATERAL, BILATERAL AND MULTILATERAL EFFORTS UNDERTAKEN TO COUNTERARREST THE NATIONAL AND INTERNATIONAL NARCOTICS TRAFFIC.

I. UNILATERAL EFFORTS:

A. First International Seminar on Narcotics and the F-2 Narcotics Group of the National Police:

The most visible actions advanced at the national level in order to control in an efficient manner the local traffic of narcotics and to cooperate at the same time in the international struggle with the different behaviors associated with this criminal modality, are begun at the beginning of the 1970s, in a timely and energetic response to the growing wave of production and commerce of dangerous substances on the national territory and because of the obligations of the country with respect to the traffic at the international level; the National Police promoted the holding of the First International Seminar on Narcotics which was held at the General Santander School in November 1972 and which concluded with the proposal to organize a Specialized Group to combat drug trafficking at the national level and to contribute to control at the international level; this proposal led to the F-2 Narcotics Group of the National Police, which began to operate with half a dozen men and which is currently made up of more than 50 officials who carry out tasks of intelligence and operation under the following organization:

1. Administrative Team:

   In charge of general operating terms of the Group and particularly with developing the office work such as the receipt, handling, production and filing of documents, the making of files and the elaboration of statistics.

   It is headed by the official Chief of the Group and complemented by a person in charge of files, a sergeant major of statistics, a courier and a secretary.

2. Resource Team:

   Directly responsible for the maintenance and distribution of material resources of the staff, such as vehicles, weapons, radios and other goods and accessories and also the protection of the substances and elements that are seized in the different procedures as well as the operation of the secondary agencies of the Group and the expenditure of the funds assigned to it.

3. Intelligence Team:
It basically carries out the task of searching for, receiving, and processing information on persons or organizations that have a tie or commitment to the phenomenon of narcotics trafficking.

4. Vigilance Team:
They are to regularly exercise, through observation and following, the controls over persons, groups, organizations or places that the Intelligence Team suggests or that the Office of the Director of the Group suggests through the corresponding work orders.

5. Operations Team:
Aimed at supporting the Intelligence and Vigilance Teams in the procedures of searching, arrests and captures that they must advance.

6. Airport Team:
Made up of personnel of the Group that

forms part of the Judicial Police Office, El DORADO.

7. Guide Team:

Made up of sergeant majors and uniformed agents who are specialists in the utilization of dogs trained in the detection of narcotic substances.

Particularly during the period that passed under thepresent administration of the country the Group referred to has obtained the fulfillment of its functions oriented to controlling drug traffic, the results revealed by the statistical figures that are recorded below:

B. LEGISLATION:

In view of the dimension acquired by the problem of dangerous drugs in the national territory, the government steadfastly expedited Decree No. 1138 of 1974, called the National Narcotics Statute, which establishes the following in general terms: Control of manufacture, distribution and reserves of any drugs and substances that produce a psychic or physical dependency; advancement of educational programs and publicity campaigns; consistency in infringements, crimes and punishments, indicating the procedure that is to be followed with the substance and elements that are confiscated;

treatment and rehabilitation measures; creation, composition and functions of the National Narcotics Council.

1. A sentence of two to eight years in prison is imposed on:
   - The grower or keeper of the plant from which it is possible to extract a substance that produces a psychic or physical dependence.
   - WHoever has property or real estate for the use of this type of substance or simply authorizes it or tolerates it in them.
   - The person who fosters or spreads the use of these drugs.
   - The professional in medicine or auxiliary sciences who in the exercise of his functions administers, presecibes or applies a dangerous drug in an amount above that necessary for non-therapeutic ends.
2. A prison sentence of three to twelve years is imposed on:
   - Whoever stores, transports, deals in or processes a drug or substance that produces a psychic or physical dependence.
   - The official who has in his custody some of these substances and completely or in part

steals, retains or adulterates (it).

3. A prison sentence of six months to two years is imposed on:

- The official who has in his control the custody of a dangerous drug and is at fault in its loss, adulteration or misplacement.

4. A fine is set equal to the value of the cadastral appraisal of the real estate on:

- The owner of land where plants are grown from which a substance that produces physical or psychic dependence can be produced.
- The owner of the real estate used for the manufacture of drugs that produce a psychic or physical dependence.

5. The furniture, equipment and other objects in which drugs that produce a psychic or physical dependence are stored, preserved, manufactured, supplied or sold, as well as the cars or any other means of transportation utilized for the commission of these crimes, are confiscated and theGovernment through executive resolution can auction them off or put them in the service of the agency that has carried out the procedure.

6. The authorities of the Judicial Police shall destroy the crops of plants from which it is possible to extract a substance that produces a physical or

psychic dependence after expert identification of the plant, description of the property, determination of the approximate area, annotation of personal data on the owner, workers or persons present and a taking of samples of the plants for later expert testimony; all through a document signed by those who participate in the task.

7. When substances that produce a psychic or physical dependence are confiscated, there should be an immediate expert identification, weighing, and extraction of samples for a chemical analysis through a document in which are included data related to those responsible , and when the job is carried out in an urban area it must be witnessed by an agent of the Public Ministry. Within the legal terms the official that performs this job must transfer it to the judge for the hearing, who the day after receiving it is obligated to work with the agent of the Public Ministry to carry out a legal inspection of the drug where it is deposited, taking a sample for a new chemical analysis, ordering and witnessing immediately thereafter the destruction of the remaining part, also writing up a document on this action.

At the same time the Government has decreed several decrees regulating the above, such as 1514 of 197 and 709 of 197 and in addition in 1978 it issued decree 2144, which delineates the actions related.

B. Decree 2144 of 1978; defines the behavior that is considered violations related to the criminal activity of narcotics trafficking, principally related to the misuse of means of land, air, sea and river transportation; committed in general under conditions such as those which follow:

1. The crew or owner, possessors or exploiters of a private or commercial airplane that lands at airports or clandestine runways or that does not carry on board flight plan authorization documents.
2. Anyone who begins a flight or changes it without authorization or the corresponding plan, without notifying a control tower of that decision.
3. Anyone who uses indications, letters, or numbers different from those corresponding to the original and legal registration of the airplane.
4. The owner of a maritime or river vessel or anyone who has rented one and who

moors at docks or sections of beaches that are not authorized and who unjustifiably changes his port of destination and who loads or unloads persons or cargo in unauthorized places.

5. The owner, conductor, possessor or renter of a land vehicle that transports merchandise whose use is prohibited or without the documentation required by law.

The penalties established for these infractions are the following:

A fine of $100,000 to $5,000,000 for the treasuries of the regions where the violation occurs at the Department, intendency or commissariat level.

Confiscation of the plane, boat or vehicle used to carry it out.

Cancellation of the operating permits or licenses for airports, companies that operate the plane, boat or automotive vehicle.

C. Decree 70 of 1978: establishes that as long as the public order remains disturbed and in the national territory is under martial law, ARticle 25 of the Penal Code is modified in that it also justifies homicide when it is committed by members of the public force in an operation planned for preventing the repressing the crimes of extorsion and kidnaping and the production, processing and trafficking of narcotics.

II. BILATERAL AND MULTILATERAL EFFORTS

A. WITH THE UNITED STATES:

The measures taken jointly by the Colombian and American Governments to combat the narcotics traffic at the level of the two nations includes basically U.S. assistance in the area of specialization of staff; provision of means of transportation, communication, and technical advisors; financing of special operations, cooperation with the retribution system of informants and exchange of information through the office of the Drug Enforcement Administration (DEA) which operates in that country.

Nevertheless, the most recent product of this joint effort is pact No. 78-05-30 entitled Prohibition of Narcotics Campaign, between the Ministry of National Defense and the U.S. Embassy, in virtue of which the National Police increases its traffic control mechanism notably, through resolution No. 2743 of April 28, 1981, the Specialist Anti-Narcotics Police Service, which currently has the following organization and composition:

B. Specialist Anti-Narcotics Police Service:

Organized by the General Administration through No. 2743 of April 28, 1981; to assume the responsibility of preventing and repressing narcotics trafficking in all of the country, previously assigned to the Institution by the Government through the National Defense Ministry.

This mechanism has been provided with properly trained staff prepared for the effective carrying out of tasks both of intelligence and operation; it began to operate in stages untill spreading out in a progressive form to all of the geographical areas in which the territory has been divided in order to facilitate the exercise of an orderly control; it has been raised to the rank of Police Department, a part of the General Administration through the Services Branch; and it currently provides the structure that is described below, with a total personnel force of:

Officers	44
Non-commissioned	103
Professional agents	157
Auxiliary Agents	546
Civilians	10
TOTAL	860

The evident success realized by this Specialist Service in its struggle against narcotics trafficking falls completely within the framework of the current ordinance and corresponds to the statistics which follow:

JUDICIAL POLICE, OFFICE OF DELEGATE ATTORNEY

ANTI-NARCOTICS GROUP

SEIZURES MADE IN THE PERIOD FROM OCTOBER 1, 1980 - OCTOBER 1, 1981

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	60	59	26	2		59	28	249,160 grams	$249'169,000
COCAINE LABS	15	2				2		15 labs	38'100,000
COCA LEAVES	1							6 pks of 25 lbs ea.	240,000
COCA CROPS	66	28	1			28	1	20 hectares and 2'396,228 plants	104'107,280
MARIJUANA	30	22	9			22	9	1'310,711 grams	2'621,422
MARIJUANA CROPS	1							½ hectare	1'000,000
LSD Demerol	1	2				2		1,000 grams	500,000
OPIUM Jumbo Pills	6	11				11		5'051,500 pills	226'887,500
HASHISH									
TOTALS	180	124	36	2		124	38		

JUDICIAL POLICE, OFFICE OF DELEGATE ATTORNEY

ANTI-NARCOTICS GROUP

DRUG SEIZURES MADE IN THE PERIOD FROM JAN. 1 to DECEMBER 31, 1980

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	54	44	13	3	3	47	16	434,854 kgs	
COCAINE LABS	7	4	1			4	1	14 Labs	
COCA LEAVES	1	=						4,000 plants	
COCA CROPS	2	3				3		82 hectares	
MARIJUANA	28	19	4	3	2	22	6	3,382,775 kgs	
MARIJUANA CROPS	1	2				2		30 hectares	
LSD Metaculone and Demerol	2	3				3		13 kgs	
OPIUM (Jumbo and Lemon)	7	8	2			8	2	1'175,545 pills	
HASHISH	2	2	1			2	1	23,949 kgs	
TOTALS	104	85	21	6	5	91	26		14 Vehicles 1 plane

JUDICIAL POLICE, OFFICE OF DELEGATE ATTORNEY

ANTI-NARCOTICS GROUP

DRUG SEIZURES MADE IN THE PERIOD FROM JAN. 1 to DECEMBER 31, 1979

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	68	108	19	13	5	121	24	1,242,500 grams	$1,118,250,000
COCAINE LABS	3	9				9		Elements	200,000
COCA LEAVES									
COCA CROPS	3	3				3		13,500 plants 15 hects. cultiv.	163,000
MARIJUANA	22	16	4			16	4	271,561 grams	543,122
MARIJUANA CROPS	3	4				4		12 tons + 5 hects. destroyed	24'055,006
LSD									
OPIUM [Jumbo Tabs.]	3	5	1			5	1	2,977 Jumbo Rorer 714	297,706
HASHISH									
TOTALS	102	145	24	13	5	158	29		Vehicks 27 Planes 1

JUDICIAL POLICE, OFFICE OF DELEGATE ATTORNEY

ANTI-NARCOTICS GROUP

DRUG SEIZURES MADE IN THE PERIOD FROM APRIL 1 to DECEMBER 31, 1978

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	30	20	8	2		22	8	1 53,053 kilos	
COCAINE LABS	2							Elements	
COCA LEAVES									
COCA CROPS									
MARIJUANA	14	17		5		22		1,168,171 kilos	
MARIJUANA CROPS	3							Two hectares	
LSD									
OPIUM									
HASHISH	1							15 mgs.	
TOTALS	50	37	8	7			8		

RESULTS OF THE ANTI-NARCOTICS CAMPAIGNS OF THE NATIONAL POLICE

AGAINST THE TRAFFICKING OF DRUGS

IN THE MONTHS OF JANUARY THROUGH OCTOBER 1981

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	11	12		4		16		74 kilos 446 grams	870'012,150.
COCAINE LABS	6	3				3		Elements	1'730,000
COCA LEAVES	1	-						187 kilos 500 grams	75,000
COCA CROPS	4	2				2		64,800 plants	15'770,000
MARIJUANA	156	355	1			355	1	1'752,845 kilos	1,671,939,940
MARIJUANA CROPS	2	-						440,000 plants	76'000,000
METHA-QUALONE Powder Pills	1 3	9 0				9		500 kilos	30'000'000
OPIUM	-	-				5		2'128,800 units	14'901,600
HASHISH	-	-							
TOTALS.	184	386	1	4		390			1,904'428,690

Automobiles : 92
Planes: 2
Boats: 1

RESULTS OF NATIONAL POLICE EFFORTS AGAINST

DRUG TRAFFICKING FROM AUGUST 7 TO DECEMBER 31, 1978

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	18	27	8	2	1	29	9	212 kilos 366 grams	$126'222,200
COCAINE LABS	9	13	2			18	2	Elements	4'350,000
COCA LEAVES	2	2				2		40 kilos 500 grams	8,100
COCA CROPS	1	1				1		120 plants	36,000
MARIJUANA	49	98	5	1		99	5	510 grams 56,784 kilos	80'373,520
MARIJUANA CROPS	36	75	1			75	1	399,375 ks.	753'791,000
OPIUM									
HASHISH									
TOTALS	116	221	16	3	1	224	17		$961'780,820

14 automobiles
3 planes
1 boat

RESULTS OF NATIONAL POLICE EFFORTS AGAINST DRUG TRAFFICKING

1979

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	53	122	19	4	6	126	25	448 grams 1,253 kilos	$954'160,100
COCAINE LABS	30	66	8			66	8	Elements	68'060,000
COCA LEAVES	6	9	2			9	2	270 kilos	130,000
COCA CROPS	6	23				23		182,705 plants	23'858,000
MARIJUANA	70	124	12			124	12	325,656 kilos	560'181,200
MARIJUANA CROPS	38	66				66		398,263 kilos	601'963,900
OPIUM									
HASHISH									
TOTALS	203	410	41	4	6	414	47		$2,146'353,200

RESULTS OF THE NATIONAL POLICE EFFORTS AGAINST DRUG TRAFFICKING

1980

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	77	142	23	2	2	144	25	420 grams 1,149 kgs	$3,870'394,100
COCAINE LABS	44	57	3		57	3		ELEMENTS	18'200,000
COCA LEAVES	7	3			3			500 grams 5,616 kilos	1'185,650
COCA CROPS	14	14				14		135,434 plants	11'830,500
MARIJUANA	103	218	11	2	1	220	11	350 grams 282,514 kilos	319'348,857
MARIJUANA CROPS	74	111	6			111	6	316,591 kilos	265'848,750
METAQUALONE Powder Pills	3	11		2		13		662,000 units	2'680,000
OPIUM	1	4				4		10 kilos, 077 grams	20'000,000
HASHISH									
TOTALS	323	560	43	6	2	566	45		44,509'507,857

RESULTS OF NATIONAL POLICE EFFORTS AGAINST DRUG TRAFFICKING

FROM JANUARY THROUGH OCTOBER 1981

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	49	75	15	9	2	84	17	333 kgs 035 grs	$325'195,400
COCAINE LABS	28	43	1	-	-	43	1	elements	7'680,000
COCA LEAVES	7	2	-	-	-	2	-	249 kgs 750 grams	77'457,400
COCA CROPS	21	22	4	-	-	22	4	264,327 plants	77'457,400
MARIJUANA	248	503	12	-	-	503	12	2'073,787 kgs 840 gr	1,942'772,096
MARIJUANA CROPS	24	34	1	-	-	34	1	562,745 plants	132'202,000
	3 10	15 16	3 2	-	-	15 16	3 2	730 kilos 2'453,541 units	43'800,000 17'084,787
OPIUM									
HASHISH									
TOTALS	390	710	38	9	2	719	40		$2,546,291,583

RESULTS OF EFFORTS BY THE F-2 NARCOTICS GROUP OF THE NATIONAL POLICE

FROM AUGUST 7 TO DECEMBER 31, 1978

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	10	24	5	-		24	5	289 grams 57 kgs	$34,373,400
COCAINE LABS	3	4	1			4	1	Elements	450,000
COCA LEAVES		=							
COCA CROPS									
MARIJUANA	6	5				5		42 kilos	16,800
MARIJUANA CROPS									
OPIUM									
HASHISH									
TOTALS	19	33	6			33	6		$34,840,200

RESULTS OF EFFORTS BY THE F-2 NARCOTICS GROUP OF THE NATIONAL POLICE

1979

SUBSTANCE-SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	22	79	10			79	10	844 kilos 550 grams	657,640,000
COCAINE LABS	12	5				5		Elements	$ 2,350,000
COCA LEAVES		=							
COCA CROPS									
MARIJUANA	7	16				16		211 kilos	105,000
MARIJUANA CROPS									
METAQUALONE, pills	3	7				7		1,151 units	5,755
OPIUM									
HASHISH									
TOTALS	45	107	10			107	10		678,118,755

RESULTS OF THE EFFORTS BY THE F-2 NARCOTICS GROUP NATIONAL POLICE

1980

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	25	68	5	1		69	5	61 grams. 1,055 kilos	$1,002,807,950
COCAINE LABS	12	18				18		Elements	5,300,000
COCA LEAVES									
COCA CROPS									
MARIJUANA	14	16	3			16	3	3,000 kilos	3,000,000
MARI-JUANA CROPS									
DEMEROL	1	4				4		10 kilos 77 grams	20,000,000
OPIUM									
HASHISH									
TOTALS	52	104	8	1		105	8		$1,030,607,950

RESULTS OF EFFORTS BY THE F-2 NARCOTICS GROUP
NATIONAL POLICE

January – October 1981

SUBSTANCE SEIZED	No. Cases	PERSONS APPREHENDED				TOTAL APPREHENDED		TOTAL SUBSTANCE SEIZED	APPROXIMATE VALUE
		COLOMBIAN		FOREIGN					
		Men	Women	Men	Women	Men	Women		
COCAINE	11	25	4	1		26	4	183 kilos 935 grams	183,935,000
COCAINE LABS	12	19	1			19	1	Elements	2,600,000
COCA LEAVES									
COCA CROPS									
MARIJUANA	6	12	2			12	2	3,431 kilos	5,489,600
MARIJUANA CROPS									
METAQUALONE, pills	3	5	2			5	2	1,420 units	9,940
OPIUM									
HASHISH									
TOTALS	32	61	9	1		62	9		192,034,540

C. Specialist Group of the Office of the Attorney General of the Nation.

Since the beginning of 1978 the Office of the Attorney General of the Nation has had a Specialist Group for the fight against drug trafficking, divided into different places in the National Territory. This staff forms part of the Office of the Attorney's Office for the Judicial Police which has as its responsibility the administration, coordination and oversight of the Judicial Police of the country, representing the Attorney General, an official whose job it is to invest with functions of Judicial Police the staff belonging to the National Police and the Administrative Security Department (DAS), in accordance with the National Constitution and the legal provisions in effect.

In the city of Bogota, capital of the nation, the Antinarcotics Group of the Office of the Attorney General has 50 officials, among them experts in criminology, investigative experts, judicial police inspectors and special agents, who act under the direction of the Delegate Attorney for the Judicial Police divided into two large operative groups, dedicated exclusively to the struggle against narcotics trafficking. It also has a group of 15 units that operate permanently at the El Dorado Airport in the same city and which have the responsibility for anti-narcotic control.

Sixty more units exist in the cities of Medellin, Barranquilla, Cali, Popayan, Pasto and Villavicencio including six groups expert in the struggle against drug trafficking. They have been placed in those cities since they are considered key points for the trafficking of narcotics, since the first four have airports from which flights permanently leave for abroad, especially for Central America and the United States. In the city of Pasto because it deals with the border with the Republic of Ecuador, a forced route for the traffic in cocaine produced in Bolivia and Peru; in the city of Villavicencio because the region of the Eastern Plains (Llanos Orientales) and the so-called national territories situated in the eastern part of the country for about two years now have been converted into an emporium of the cultivation of coca and the production of the coca base baste for obtaining cocaine.

The staff of the Anti-narcotics Judicial Police of the Office of the Attorney General receives assistance from the U.S. Government through the mutual assistance pact agreed to between both countries, especially with respect to the technical part, organization of special courses with DEA personnel, supplying of vehicles (17 cars), radiocommunications equipment (unit of repeaters and telex). In addition, as was noted before, the Office of the Attorney General administers an Air Group made up of a Piper Navajo plane, two Bell 202 helicopters and 1 Bell 212 helicopter that must be shared with the National Police for the anti-narcotics struggle exclusively. The operating expenses and maintenance are covered with money supplied by the U.S. government periodically in accordance with the agreement and its various additions.

Translated by Deanna Hammond
CRS Language Services
November 12, 1981

Mr. SHAPIRO. But exactly what has Colombia done?

The most visible effort has been the deployment of antinarcotics troops in the Guajira Peninsula. This effort began in 1980 and multiton seizures of marihuana and seizures of methaqualone have occurred frequently but despite the successes, it is doubtful that the total volume of marihuana being exported from Colombia is being meaningfully decreased.

Further, national police operations in the Guajira may soon peak in their effectiveness as the financial support decreases and local resistance increases.

Seizures have usually meant little because the major traffickers cannot be caught and cannot be placed behind bars and put out of business.

In Colombia, these narcotrafficantes are basically untouchable due to official corruption, judicial intimidation, lack of resources or otherwise.

This inadequate enforcement situation leads to the inevitable question of eradication. But the impediments appear to be a myriad. Dr. Garcia made clear to us that funding for marihuana eradication would have to come completely from the United States. Even if congressional restrictions and funding problems are resolved, many other problems exist.

Dr. Garcia made it quite clear to us that any Colombian commitment to eradicate marihuana would have to be accompanied by a U.S. commitment to eradicate the domestic marihuana being grown in this country.

This domestic cultivation is gaining a larger share of the U.S. market every year. The Colombians believe that there are no domestic eradication programs ongoing. Until recently, this perception would have been true. But now there are some programs ongoing and later this morning, we will have a witness from DEA who will explain the efforts that are being undertaken even in this country right now.

[At this point, Senator Nunn entered the hearing room.]

Mr. SHAPIRO. Dr. Garcia's argument for reciprocal eradication was only part of his skepticism as to the U.S. antimarihuana commitment. He asked the chief counsel and I why a number of States have decriminalized marihuana and whether or not this is a national trend. He wanted to know why marihuana traffickers who were in court and convicted in the United States usually received lenient sentences.

Dr. Garcia's justification for these inquiries, particularly reciprocal eradication was the obvious one of fairness. But in speaking to U.S. personnel in Colombia, a sense of economic protectionism arose. Many individuals in Colombia are convinced that the United States wants to have Colombian marihuana sprayed without spraying U.S. plants really to create less competition and higher prices for the U.S. growers and less profit for the Colombians, albeit illicit.

This quasi-protectionist attitude regarding drugs also arose during discussions we had with officials in other South American countries who indicated that Colombia's multilateral cooperation in the narcotics arena has not been especially strong.

In Colombia, this economically oriented perspective also is advocated by some who believe that marihuana and other narcotics exports should be legitimated and controlled by the Government so as to raise Government revenues.

It is now believed that marihuana exports have surpassed coffee exports as the No. 1 source of foreign revenue for Colombia.

Dr. Garcia also brought the protectionist concept up in speaking of the farmers in the Guajira who grow marihuana for sale to the traffickers. Dr. Garcia asked what would happen to these poor campesinos if we sprayed the marihuana and they have no more income. What will they do for income?

An additional factor in the politics of marihuana in Colombia is the presidential election which is now slated for May 1982. The current president cannot succeed himself and although he has publicly taken a strong antinarcotic stand, this may change, perhaps radically, with the new administration. Eradication and other narcotic assistance discussions with the United States may have to start from scratch. At least one presidential candidate is supported by a research organization strongly calling for the legalization of marihuana. Clearly a move in this direction would doom all efforts to suppress exports.

Ambassador Boyatt will be able to discuss the politics of marihuana further during his upcoming testimony.

Interdicting marihuana at the Colombian shoreline is extremely difficult. With the assistance of a Colombian Army pilot, we were able to fly over the northern coast of Colombia—the Guajira Peninsula. What one sees is miles and miles of coastline and a highway evenly parallel for most of this distance thus allowing traffickers to move their marihuana by vehicle right to the shoreline, to any of innumerable locations, and then subsequently to the motherships.

We have here a photo that we took from the plane showing the shoreline. You can clearly see the shoreline and the highway. This runs basically the entire length of the peninsula.

The loading to the motherships is done at nght and we were told by our pilot that the mothership can be completely loaded in 1 hour, using 80 men, and canoes to take the load from shore to the ship.

Further inland, we were able to see a number of clandestine airstrips. Some were rudimentary and some were quite long and quite wide. This is a photo we took of, I would say, one of the more rudimentary strips. You can see there is a plane there that did not make it. We have another photo of a strip which is the best one that we saw and it had a fueling station. It was well taken care of. We saw quite a few of these.

Further inland on the peninsula, the marihuana is primarily grown. We were unable to fly over that area due to air currents and because of the hilly terrain but we do have a photo from DEA of marihuana plants in the peninsula.

Efforts at cocaine interdiction in Colombia are mainly aimed at the discovery and seizure of processing labs. Success is sporadic. The labs can be packed up and moved to a new location very easily. Joint eradication efforts in the cocaine fields existing in the Cauca region which is in southwest Colombia have taken place this year. We were told the first eradication effort arose by surprise and the people were able to cut the plants down by chainsaws and spray the exposed stumps with a low dosage herbicide.

However, the second operation was met by local resistence. Officials also fear development of the coca cultivation in the Llanos region, which is the big plains region east of Bogotá and they have begun eradication efforts there.

What we have here is another DEA photo of coca cultivation in this Llanos area. This is a large area. It is 40 percent of the country, only 2 percent of the population live there. It is virgin territory for the coca traffickers.

The Colombian document which we have received said that they feel there is an alarming rate of coca cultivation now beginning in this region.

Nevertheless, Colombian coca traffickers primarily rely on Peruvian and Bolivian cultivation to supply coca paste and base. In Peru, we visited Tingo Maria, a town in the central part of the country which has been a center of coca cultivation and trafficking.

Thus, it has been a focal point for several antinarcotics projects. AID has planned a major bilateral crop substitution program in the Upper Huallaga Valley which will be discussed later today.

The Guardia Civil, one of Peru's two basic law enforcement agencies, has assigned a patrol to Tingo Maria to interdict trafficking through seizures of coca leaves and paste, destruction of coca leaf drying operations, and the occasional burning of coca fields.

Heading this patrol is Commandante Julio Cano Delgado. His command is beset with insufficient manpower, equipment, and housing as well as corruptible officers and sporadic local resistance.

One example of the latter is these trapguns which has been brought up from Tingo María. Commandante Cano also complained to us that corrupt judges and prosecutors constantly dismiss cases against traffickers.

As you can see, these are very rudimentary weapons; called trapguns because they use a mousetrap. I have got one here which we can pass around. There are no shells in it. Normally they put a shotgun shell in, you set the mousetrap, there is a nail, it is set up in the doorway and perhaps in the coca drying facility and if you walk in the doorway, and trip the string, you are in big trouble. But this is the kind of resistance that they sometimes encounter.

Nevertheless, Commandante Cano's presence has had an effect, as major traffickers have left the Tingo Maria ~~area for the Cuzco~~ area farther south. Much of the coca paste derived from the leaves is shipped by river to Iquitos, Peru, and Leticia, a Colombia city near the merger of the Colombian, Peruvian, and Brazilian borders.

From here the paste can be flown to processing labs in Bogota, Medillin, Cali, and elsewhere in Colombia, or moved down the Amazon River to Brazilian processing labs. Enforcement presence in this region is minimal although seizure missions are sporadically undertaken.

In Peru, as well as Bolivia, Indians have traditionally chewed coca leaves for a variety of reasons. Hence, total eradication is out of the question. Lt. Gen. Humberto Catter-Arrendo, director superior of the Guardia Civil, told us that it is very hard to change the perception of the farmers toward coca. He said the farmers must be made to understand the dangers of coca to them and the problems created for others by its cultivation. The farmers say other crops are not as profitable.

The Peruvian Government has attempted to control a licit coca market through the creation of a government agency, ENACO. In theory, farmers may register certain acreage for the licit cultivation of coca. Licit leaves are bought by ENACO for pharmaceutical resale and domestic use. Any other coca cultivation is illegal. However, enforcement of the ENACO system is very difficult.

In Tingo Maria, we visited one drying facility and inside we found a pad of ENACO register sheets, each with the proper stamp, so if the Guardia Civil inquired about this farmer's coca cultivation, he would take one of the sheets, fill it in and he would have an ENACO registered field or as often happens, he could try to pay the officer off and not have to worry about forgery. This photo which we took is a photo of the drying facility where we found these sheets.

The coca leaves can be dried either outside on the concrete slab in the sun or inside. It is almost like a kiln. The leaves can be dried inside. Regardless, ENACO's prices cannot compete with the U.S. traffickers. Commandante Cano told us the traffickers are offering five times as much money as ENACO for each kilo of leaves.

In Peru, as in other countries we visited, U.S. antinarcotics desires do not always coincide with the host government priorities. In Lima, Lt. Gen. Eduardo Ipinze-Rebatta, director superior of the Peruvian Investigative Police—the second law enforcement agency—told us that his agency's No. 1 priority was combating internal terrorist activities, and coca interdiction would have to take a definite back seat.

In Peru, limited resources may mean a backseat is no seat unless additional U.S. foreign assistance is forthcoming. In fact, an increase in terrorist activities had just begun when we visited Peru. The U.S. Embassy in Lima was bombed a few days before we arrived and the homes and offices of various Peruvian and U.S. officials and various multinational corporations have been recent bombing targets.

Ten such sites were hit the day before we departed. Officials in Peru, Colombia, Jamaica all acknowledged to us the possible link between drug traffickers and terrorist groups but they said they lack any hard evidence of this. The deleterious effects of the trafficker-terrorist linkage is clear. Traffickers have lots of money, money to buy arms. Terrorists provide resistance for eradication and enforcement efforts. Ambassador Corr may be able to offer further testimony on this area during his upcoming testimony.

We also spent 2 days in Brazil talking to United States personnel and Brazilian officials. Quite obviously, the situation with respect to drug trafficking is radically different in Brazil. It is not currently a major source country but it does have a huge potential to be a major supplier, not only used as processing and transshipment points for Bolivian coca, but also through its own mariuhana and coca cultivation.

Brazil's immense size with large expanses of undeveloped and hard-to-reach land create enormous concern but the current preoccupation of the Brazilian officials is the growing domestic drug use problem which is very similar to the problem we have here in the United States.

Marihuana poses the biggest use problem in Brazil, even though there are stiff penalties. Domestic production mainly occurs in seven of the northeastern states in Brazil. DEA's special agent in charge of Brazilia estimated that 70 percent of this marihuana is exported, although he was not sure of its destination.

This was disputed during an interview with Dr. Helio Ramao, central police coordinator for the Brazilian Federal Police. Dr. Ramao asserted that no Brazilian grown marihuana is exported.

We were also told that marihuana users in the Rio de Janeiro and Sao Paolo areas are more likely to get their marihuana from Paraguay, which is producing marihuana with an extremely high THC content, 7 percent compared to 3 percent for northeastern marihuana.

Cocaine is the second most popular drug in Brazil and its use is increasing tremendously. Almost all coke comes from Bolivia, for domestic use, processing, and/or transshipment. But some coca cultivation has begun in the northwestern Amazon regions of Brazil.

We were told an intelligence team confirmed this cultivation during the visit to this region in January 1980, but no law enforcement personnel have been back since. We were told that it is an 8-day trip from Brazilia to this Amazon region by plane, boat, mule, and foot. That is indicative of the kind of problems that they have with the size of this country. This sort of inaccessibility makes the Amazon a perfect location for Colombian cocaine traffickers and the potential volumes are great. As we heard before, Brazil is also a major source of ether and acetone, which are used to process coca. But the Brazilian officials have several programs ongoing with DEA and they have been successful so far. We were told traffickers are finding innovative ways of obtaining acetone, innovative ways to get it closer to the Bolivian border

As is the case elsewhere in South America, the biggest problem in combating narcotics is funding. The BFP have insufficient equipment and the future is bleak due to inflation, government restrictions, and overall spending. More specialized personnel are also needed.

We were told that although the BFP currently does not lack the means to combat drugs, there is a great concern for the future.

The future of bilateral efforts with Brazil is uncertain, as the Brazilians seem very conscious of maintaining independence from the United States.

The BFP have undertaken several marihuana eradication projects. They begin with an identification of fields by the BFP, and the growers and traffickers are then commanded to themselves to pull out the plants. Brazil has also taken the lead role in forming an organization composed of South America nations, which is designed to combat drug trafficking problems through regional solutions. This organization is still in its infancy.

Brazilian officials are quite reluctant to criticize other South American source nations because they seem unwilling to endanger any trade agreements or other economic deals.

It should be clear that the United States, in its desire to decrease the narcotics supply in this country, cannot snap its bureaucratic finger and expect immediate or even long-range results. Many foreign officials and nationals, believe that the U.S. drug problem is just that, a U.S. problem. This raises the issue of leverage.

Should the United States predicate general foreign assistance, diplomatic and trade agreements, et cetera, upon the success of source country antinarcotic efforts? Bolivia and Jamaica offer opposite examples of this carrot-stick argument.

Chairman Roth. Mr. Shapiro, time is going pretty fast. I wonder how much longer your summary will be?

Mr. Shapiro. I don't think it will take more than 4 or 5 more minutes, Mr. Chairman.

Chairman ROTH. I would ask you to summarize it within a few minutes.

Mr. SHAPIRO. Fine. That being the case, what I will do——

Chairman ROTH. The complete statement will be included as part of the record.

Mr. SHAPIRO. We will have testimony from the State Department later this morning on Bolivia and I will move to what we found in Jamaica.

We spent 3 days in Kingston, Jamaica, to examine the use and export of ganja (marihuana). In addition to State Department and DEA personnel, we met with representatives of the Jamaica Constabulary Force, Jamaica Defense Force, and Winston Spaulding, Minister of National Security and Minister of Justice.

We found a country beset by severe economic difficulties and a relatively new government which is still trying to establish itself. We also found the issue of ganja use and trafficking hotly debated, inextricably intertwined with politics and economics, and connected with groups such as the Ethiopian Zion Coptic Church and the Rastafarians.

Part of the problem in Jamaica is the traditional use and acceptance of ganja, which has gone on for hundreds of years. The smoking of ganja is commonplace, as is the drinking of ganja tea and the use of other ganja-based products. Cultivation in the Jamaican hills is easy and more profitable than any other crop. It is also facilitated by the urgings of the Ethiopian Zion Coptic Church, a trafficking organization disguised as a religious organization, and the source of major concern within the Jamaican Government as well as U.S. law enforcement circles. Yet possession of ganja remains a criminal offense in Jamaica.

The Coptics have replaced the Government as the provider of social services for many rural Jamaicans. If a farmer has an ill child the Coptics will provide a doctor. If he needs a replacement part for his tractor the Coptics will get it. If he needs a buyer for his ganja the Coptics are there, even though in most areas the Coptics own their own land and grow their own ganja.

The Government's social services cannot compete with the Coptics. As a result of their trafficking activities the Coptics have become the second largest Jamaican landowner—behind the government—they have bought into a number of legitimate businesses, they have bought land in at least five States in the U.S. as well as Colombia, and they have become a strong political force in Jamaica although content to operate outside normal political channels. While some lower level Coptics have been arrested for trafficking the top echelon seems protected.

To a lesser extent the government must deal with the Rastafarians, who also regard ganja as a religious sacrament—the "weed of wisdom"—although they are not involved in trafficking as the Coptics are.

Therefore, it is not surprising that many Jamaicans condone ganja use and/or favor legalization. Similarly, many Jamaicans favor government nonintervention and a freeing up of the ganja export business. A July 1981 newspaper poll found 62 percent of the populace opposed to government steps to reduce the ganja trade to the U.S. This sentiment most likely indicates not only the traditional acceptance of ganja but also the realization that ganja export revenues to the United States have become, during Jamaica's current economic difficulties, a needed source of foreign exchange. We were told that ganja revenues in 1980 were approximately $1 billion, and that 20 percent—$200 million—was returned to Jamaica. Minister Spaulding told us that this was a significant amount in terms of the Jamaican economy.

While Prime Minister Edward Seaga's administration has announced its commitment to clamp down on ganja trafficking, little can be done due to insufficient manpower and resources. The head of the Jamaica Constabulary Force's narcotics division, Clem Shay, told us that he has only 28 men to patrol the entire island, and three to four working vehicles at a maximum.

JCF wages are low and the corruption potential correspondingly high. Col. Bunny Stern of the Jamaica Defense Force echoed Superintendent Shay's resources problem and explained the tremendous problem being created by the numerous ganja flights being run from clandestine airstrips. Jamaica has no radar facilities, making it virtually impossible to detect these flights. There is a constant fear of a mid-air collision with a commercial flight. JDF's chaser plane capability is minimal, as is their Coast Guard capability. Earlier this year the JDF began a program to dynamite clandestine strips, but legal challenges have put a halt to this program, and Colonel Stern told us that a ganja man could rebuild a blown strip in 3 days.

Again, as in Colombia, eradication is the alternative solution. A joint DEA-Jamaica eradication project in 1974—Operation Buccaneer—virtually wiped out the ganja cultivation. But since then it has returned, acreage is five times what it was before Buccaneer, and prospective eradication efforts in the near future seem unlikely.

The government of Prime Minister Seaga cannot afford the general backlash which would accompany an eradication effort at this time. The Coptics, Rastafarians, and many others unaffiliated with any group would object on traditional and economic grounds. In addition political opponents of the Seaga administration, mostly followers of former Prime Minister Michael Manley, would seize upon any general discontent to foster their opposition views, and it is well documented that these opponents possess many automatic weapons, procured in the period prior to last year's national election.

Minister Spaulding summed up the government's position for us: They are totally opposed to legalization and unimpeded exports and committed to antiganja efforts; but, any efforts must be part of a comprehensive, well-thoughtout package so as to minimize political and economic backlash, and it is premature to begin this sort of effort now.

I would like to at this time enter several exhibits in the record, namely several briefing books we received from DEA in Bogota and Lima and a position paper we received in Bogota from the narcotics assistant unit. These have been labeled confidential. I would like to have them placed in the record as a sealed exhibit at this time.

[The document referred to was marked "Exhibit No. 4," for reference and is retained in the confidential files of the subcommittee.]

I would also like to enter letters that we sent to the embassies of these source countries here in Washington and the response letters that we received from these embassies.

[The document referred to was marked "Exhibit No. 5," for reference and follows:]

EXHIBIT NO. 5

EMBAJADA DE COLOMBIA
WASHINGTON, D. C.

November 9, 1981
No. 2090

Dear Senator Roth:

I acknowledge receipt of your kind letter of October 15, 1981 where you informed me that the Senate Permanent Subcommittee on Investigations is currently completing a yearlong investigation of international narcotics trafficking.

As agreed in our telephone conversation of today, I am pleased to enclose herewith a document prepared by the Minister of Justice in Colombia on this subject. I certainly hope that the information included in this document will be useful for the work of the Subcommittee.

I have requested Colonel Luis Fernando Restrepo, Police Attaché at the Colombian Embassy, to attend those hearings that you would consider adequate for him to be present. Other members of the Embassy staff and myself will also be available should you think that our presence could be required.

Sincerely yours,

Fernando Gaviria
Ambassador of Colombia

The Honorable
William V. Roth, Jr.
Chairman, Senate Permanent Subcommittee
on Investigations
United States Senate
Washington, D.C.

PERUVIAN EMBASSY
WASHINGTON, D. C. 20036

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October 16, 1981

The Honorable
William V. Roth
The United States Senate
Washington,D.C. 20500

My dear Mr.Roth:

I am pleased to acknowledge receipt of your letter of October fifteenth concerning the investigation which the Permanent Subcomittee on Investigations has been conducting for the past year on international drug trafficking.

It has been interesting to learn of the work done by the Subcommittee under your chairmanship on that matter and I have sent a telegraphic message to pertinent Peruvian officials asking them to elaborate on the points specified in your communication. I shall be glad to convey to you their reply as soon as I receive it.

I take this opportunity to renew to you the assurances of my highest consideration.

FERNANDO SCHWALB
Ambassador

Washington, D.C.
October 20, 1981

Senator William V. Roth, Jr.
Chairman
Committee on Governmental Affairs
Senate Permanent Subcommittee on Investigations
U.S. Senate
Washington, D.C., 20510

Dear Mr. Senator,

I acknowledge receipt of your letter dated October 15, 1981, in which you asked for a public testimony from a representative of the Brazilian Government and/or a written statement about the supply and demand aspects of the narcotics trafficking.

In reply, I inform you that the content or your letter has been forwarded to the Ministry of External Relations. As soon as I receive an answer from Brasília, I will write to you again on this subject.

With my best wishes,

Sincerely yours,

Antonio F. Azeredo da Silveira
Ambassador of Brazil

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
CHARLES H. PERCY, ILL.
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WASHINGTON, D.C. 20510

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DEPUTY CHIEF COUNSEL
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CHIEF COUNSEL TO THE MINORITY

October 15, 1981

The Honorable Antonio F. Azerado DaSilveira
Office of the Brazilian Embassy
3006 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Dear Mr. Ambassador:

The Senate Permanent Subcommittee on Investigations is currently completing a yearlong investigation of international narcotics trafficking. The Subcommittee is concerned both with the supply and demand aspects of narcotics trafficking. As part of our efforts to gather information about narcotics supply, staff members have travelled to a number of narcotics source countries, including Brazil. In these countries our staff has been able to speak to U.S. Embassy and Drug Enforcement Administration personnel as well as representatives of the host government. The Subcommittee's visit to Brazil in late August was most informative and helpful.

The Subcommittee's investigation will culminate in a public hearing during portions of the weeks of November 9 and 16, 1981. Testimony from staff members who visited Brazil is likely. However, the Subcommittee is also interested in the possibility of receiving either public testimony from a suitable representative of the Brazilian government and/or a written statement which can be inserted in the hearing record.

The Subcommittee is most interested in receiving testimony pertaining to the following areas although these should not preclude other relevant topics:

--The extent of narcotics trafficking and use in Brazil and foreseeable future trends

--The position of the Brazilian government towards trafficking and use

--Unilateral, bilateral (with the United States), and multilateral efforts being made to stem trafficking and use, such as law enforcement, education, and eradication efforts.

The Honorable Antonio F. Azerado DaSilveira
Page 2

The Subcommittee looks forward to any input from the Brazilian government which would fit into the anticipated hearing schedule and scenario. Subcommittee staff is prepared to answer any questions you may have concerning the upcoming hearing and this letter. S. Cass Weiland, Subcommittee Chief Counsel, and Howard L. Shapiro, Subcommittee Staff Counsel, can be reached at 224-3721.

Sincerely,

William V. Roth, Jr.
Chairman

WVR,JR:hsc

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
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ON INVESTIGATIONS
WASHINGTON, D.C. 20510

October 15, 1981

The Honorable Keith Johnson
Office of the Jamaican Embassy
1850 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Ambassador:

The Senate Permanent Subcommittee on Investigations is currently completing a yearlong investigation of international narcotics trafficking. The Subcommittee is concerned both with the supply and demand aspects of narcotics trafficking. As part of our efforts to gather information about narcotics supply, staff members have travelled to a number of narcotics source countries, including Jamaica. In these countries our staff has been able to speak to U.S. Embassy and Drug Enforcement Administration personnel as well as representatives of the host government. The Subcommittee's visit to Jamaica in late August was most informative and helpful.

The Subcommittee's investigation will culminate in a public hearing during portions of the weeks of November 9 and 16, 1981. Testimony from staff members who visited Jamaica is likely. However, the Subcommittee is also interested in the possibility of receiving either public testimony from a suitable representative of the Jamaican government and/or a written statement which can be inserted in the hearing record.

The Subcommittee is most interested in receiving testimony pertaining to the following areas although these should not preclude other relevant topics:

--The extent of narcotics trafficking and use in Jamaica and foreseeable future trends

--The position of the Jamaican government towards trafficking and use

--Unilateral, bilateral (with the United States), and multilateral efforts being made to stem trafficking and use, such as law enforcement, education, and eradication efforts.

The Subcommittee looks forward to any input from the Jamaican government which would fit into the anticipated hearing schedule and scenario. Subcommittee staff is prepared to answer any questions you may have concerning the upcoming hearing and this letter. S. Cass Weiland, Subcommittee Chief Counsel, and Howard L. Shapiro, Subcommittee Staff Counsel, can be reached at 224-3721.

Sincerely,

William V. Roth, Jr.
Chairman

WVR,JR:hsc

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WASHINGTON, D.C. 20510

October 15, 1981

The Honorable Dr. Jorge Eastman
Office of the Colombian Embassy
2118 Leroy Place, N.W.
Washington, D.C. 20008

Dear Mr. Ambassador:

The Senate Permanent Subcommittee on Investigations is currently completing a yearlong investigation of international narcotics trafficking. The Subcommittee is concerned both with the supply and demand aspects of narcotics trafficking. As part of our efforts to gather information about narcotics supply, staff members have travelled to a number of narcotics source countries, including Colombia. In these countries our staff has been able to speak to U.S. Embassy and Drug Enforcement Administration personnel as well as representatives of the host government. The Subcommittee's visit to Colombia in late August was most informative and helpful.

The Subcommittee's investigation will culminate in a public hearing during portions of the weeks of November 9 and 16, 1981. Testimony from staff members who visited Colombia is likely. However, the Subcommittee is also interested in the possibility of receiving either public testimony from a suitable representative of the Colombian government and/or a written statement which can be inserted in the hearing record.

The Subcommittee is most interested in receiving testimony pertaining to the following areas although these should not preclude other relevant topics:

--The extent of narcotics trafficking and use in Colombia and foreseeable future trends

--The position of the Colombian government towards trafficking and use

--Unilateral, bilateral (with the United States), and multilateral efforts being made to stem trafficking and use, such as law enforcement, education, and eradication efforts.

The Honorable Dr. Jorge Eastman
Page 2

The Subcommittee looks forward to any input from the Colombian government which would fit into the anticipated hearing schedule and scenario. Subcommittee staff is prepared to answer any questions you may have concerning the upcoming hearing and this letter. S. Cass Weiland, Subcommittee Chief Counsel, and Howard L. Shapiro, Subcommittee Staff Counsel, can be reached at 224-3721.

Sincerely,

Bill Roth

William V. Roth, Jr.
Chairman

WVR,JR:hsc

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S. CASS WEILAND
CHIEF COUNSEL

MICHAEL C. EBERHARDT
DEPUTY CHIEF COUNSEL

MARTY STEINBERG
CHIEF COUNSEL TO THE MINORITY

October 15, 1981

The Honorable Fernando Schwalb
Office of the Peruvian Embassy
1700 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Dear Mr. Ambassador:

The Senate Permanent Subcommittee on Investigations is currently completing a yearlong investigation of international narcotics trafficking. The Subcommittee is concerned both with the supply and demand aspects of narcotics trafficking. As part of our efforts to gather information about narcotics supply, staff members have travelled to a number of narcotics source countries, including Peru. In these countries our staff has been able to speak to U.S. Embassy and Drug Enforcement Administration personnel as well as representatives of the host government. The Subcommittee's visit to Peru in late August was most informative and helpful.

The Subcommittee's investigation will culminate in a public hearing during portions of the weeks of November 9 and 16, 1981. Testimony from staff members who visited Peru is likely. However, the Subcommittee is also interested in the possibility of receiving either public testimony from a suitable representative of the Peruvian government and/or a written statement which can be inserted in the hearing record.

The Subcommittee is most interested in receiving testimony pertaining to the following areas although these should not preclude other relevant topics:

--The extent of narcotics trafficking and use in Peru and foreseeable future trends

--The position of the Peruvian government towards trafficking and use

--Unilateral, bilateral (with the United States), and multilateral efforts being made to stem trafficking and use, such as law enforcement, education, and eradication efforts.

The Subcommittee looks forward to any input from the Peruvian government which would fit into the anticipated hearing schedule and scenario. Subcommittee staff is prepared to answer any questions you may have concerning the upcoming hearing and this letter. S. Cass Weiland, Subcommittee Chief Counsel, and Howard L. Shapiro, Subcommittee Staff Counsel, can be reached at 224-3721.

Sincerely,

Bill Roth

William V. Roth Jr.
Chairman

WVR,JR:hsc

Mr. **Shapiro**. I will be glad to answer any questions, but as you know, we have several witnesses upcoming who are much more expert than I am and it would most likely be more appropriate to save your questions for these witnesses.

Thank you.

Chairman **Roth**. Thank you, Mr. Shapiro and Mr. Marshall for your very informative statements. I do have a couple of questions I would like to ask you, Mr. Marshall. I gather that the principal countries in South America that have narcotic problems are Colombia, Peru, Brazil, and Bolivia. What kinds of cooperation are we getting from their governments, both top level and at the lower levels? Are there any other countries—I know we have made considerable progress in the case of Mexico—but are there any countries south of us where we have totally failed to address this narcotic problem?

Mr. **Marshall**. Mr. Chairman, with regard to Bolivia, I am afraid that I am not really qualified to comment on Bolivia. With respect to Peru and Brazil, our cooperation from the local enforcement agencies is excellent at all levels. In the case of Colombia, the cooperation is also very good. There is some problem with low-level corruption, perhaps, in Colombia to a bit greater degree than we have here in the United States, but I would say generally the cooperation in Colombia is very good at all levels.

And with regard to the other countries in South America, we have offices in all South American countries, except Uruguay, Paraguay, and the Guyanas and Surinam on the north coast of South America. Generally, we do receive good cooperation from all of these governments.

Chairman **Roth**. What about the degree of cooperation between your own office and the various other U.S. governmental agencies? Are you getting the degree of cooperation that is satisfactory or is there much that needs to be done to strengthen those relationships?

Mr. **Marshall**. I would say that we generally have excellent cooperation between various U.S. Government agencies, especially so in Peru. In the case of Colombia we have perhaps a few minor differences in the approach that we would prefer to take as opposed to the approach that the narcotic assistance unit would prefer to take, but we have managed to work around these differences and cooperation is good.

Chairman **Roth**. Would it be desirable to try to get some kind of a conference of not only law enforcement, but high public officials from those countries involved in drug trafficking? Would that provide for better coordination, a better war on narcotics? Perhaps we could gather officials from Colombia, Peru, Brazil, Bolivia, and ourselves?

Mr. **Marshall**. Mr. Chairman, yes. In my estimation it would be very useful and we have undertaken such conferences at the law enforcement level over the last 4 to 5 years. In some of these conferences we have also had ministers of justice, ministers of defense, and other high level government officials from various countries involved. They have been useful. We hope to be able to continue with these types of conferences.

Chairman **Roth**. Senator Rudman?

Senator **Rudman**. I don't have any questions for this witness.

Chairman ROTH. Senator Nunn?

Senator NUNN. Mr. Chairman, I want to thank both the witnesses for an excellent job, particularly our staff on the majority side who have done a very comprehensive and very thorough job, and we appreciate that.

Just a couple of questions. Mr. Shapiro, based on your study, is it your experience that narcotics efforts in South America, Central America could be strengthened by mutual assistance treaties?

Mr. SHAPIRO. Certainly it could, Senator Nunn. Of course, there is a distinction between actual enforcement and interdiction efforts and mutual assistance treaties which would more or less assist in the making of prosecutions here in the United States. So we can freely get criminal information from the law enforcement authorities, financial information, information in that respect.

I am sure that when we were down in Colombia, the Colombians asked us what the holdup was with the mutual assistance treaty which had been signed and ratified by the Colombians, but was being held up in our bureaucratic structure. They were very interested in working with us in terms of regional assistance. I am certain that all the other countries would also.

The Colombians are the most important and it would certainly strengthen our prosecution efforts and our law enforcement efforts here in the United States.

Senator NUNN. We heard from staff earlier in the week about Hong Kong serving as the financial hub or center of the heroin money handling in Southwest Asia. Is there any similar financial center for Central America and South America?

Mr. SHAPIRO. I don't believe there is any center that would be similar to Hong Kong. Certainly many of the narcotic traffickers from South America use Caribbean locations, such as the Cayman Islands, Bahamas, Panama. They use shell corporations in Panama. Certainly in major cities such as Bogota, there are financial transactions that take place there, but I think in terms of a comparison to Hong Kong, you have to look at these Caribbean tax havens more than anywhere else.

Senator NUNN. Are any of these countries capable of the sophisticated money flow type investigations within their own country?

Mr. MARSHALL. Senator, up to this point we have seen very little activity in that field. However, we have made some progress with focusing the attention of local enforcement agencies on that particular approach in the countries of Venezuela and Colombia. We hope within the next few months to have a much more accurate picture of the way financial transactions are undertaken, at least in those two countries.

[At this point, Senator Chiles entered the hearing room.]

Mr. MARSHALL. With respect to Panama, we are very limited in what we can do in Panama even though we know there is a lot of this type activity there. We are limited because of the strict bank secrecy laws in Panama.

Senator NUNN. Do any of these countries have the kind of capabilities we have in this country for conspiracy cases, wiretaps, that kind of thing?

Mr. MARSHALL. With regard to conspiracy cases, generally not, Senator. The reason is that most of these countries operate under the Napoleonic code of law which is quite different from the English system used in our country. Generally, the conspiracy laws are very weak.

Senator NUNN. How about wiretap?

Mr. MARSHALL. Yes. Some countries do undertake legal wiretaps and we have in many instances been the beneficiary of the information gained off that type of operation and have made several significant seizures here in the United States as a result of that.

Senator NUNN. What about forfeiture of assets?

Mr. MARSHALL. Most countries do have some type of forfeiture law. It varies from country to country. We have been, I suppose, most successful in that type of investigation in the countries of Peru and Colombia.

Senator NUNN. If you had to rank the cooperative efforts that we now have ongoing with the countries that we have discussed here this morning, Jamaica, Colombia, Peru, Brazil, Panama, Bolivia, which one would you rank as number one in terms of cooperative effort with the United States?

Mr. MARSHALL. When you consider the entire picture, including the capabilities of the host country law enforcement agencies, I think that I will have to say that Brazil and Peru probably give us the highest degree of success in the cooperation that we seek from them.

Senator NUNN. Thank you.

Chairman ROTH. Senator Chiles?

Senator CHILES. No questions.

Chairman ROTH. Thank you, gentlemen.

Again I want to express the appreciation of the subcommittee for your very fine statements.

At this time it is my pleasure to call the Ambassador to Colombia, Thomas Boyatt.

[At this point, Senator Cohen entered the hearing room.]

Senator NUNN. Mr. Chairman, before we begin this, there is a long article in the Wall Street Journal today about the lenient sentences and the very severe problem we have with people skipping bail that have been arrested on narcotic charges. This is not anything new. This subcommittee has been in that for 4 or 5 , or 6 years, but we haven't seemed to have made the progress that I once had hoped we had.

Senator Chiles has got a bill that I joined in and I think some others have here, too. On one occasion 2 or 3 years ago we had a documentation by staff on a particular conspiracy case and I don't remember the name of it, and it traced each offense and it traced the sentences they got in court, It named the judge. We are not in the business of harassing judges but this is public information. I would like to pose for the chairman's consideration and suggestion that the majority and minority staff work together to compile a meaningful list of drug traffickers, major drug traffickers who have been arrested and convicted within the Federal Drug Enforcement Agency and FBI and that we trace in a staff study the sentences that were meted out and the judges that gave those sentences, just as a matter of information.

I suggest that we make that available to members of the public and the news media and in particular I would like to make it available to the people in the particular area where the judges are. I think that has a real educational effect. We have heard over and over again from these witnesses that both in Southeast Asia, South and Central America, that they really don't think we are serious about drugs in this country. We are always harassing them, pointing the finger at them, but as soon as we make an arrest, they are out on bail, they are skipping bail and many times Americans are arrested in these countries and we spend most of our diplomatic effort trying to get them speedily released so that they can be brought back here.

In the eyes of other countries it is dealt with very leniently. So I would like to pose that suggestion to the Chairman.

Chairman Roth. I have not seen the article in the Wall Street Journal, but I think the suggestion is a good one. I would ask our counsel and staff on both sides to cooperate.

Senator Chiles. Mr. Chairman, I wonder if we might just amend that, say, not only where the conviction is made but also if we would look at some of these cases where bail is granted and then shopped around and reduced and then the offenders jump. The biggest case that we have made in Florida is called "Operator Grouper." It involved three separate narcotics outfits which were penetrated and most of the offloading operation was done by the good guys. It was almost a 3-year operation in which they had State, Federal, and local law enforcement people cooperating. One of the major offenders was named Fernandez that they were able to arrest.

It is estimated that the take he was making out of that operation was around $40 million a year. Bond was set at $21 million, reduced to $5 million. A New Orleans Federal judge reduced it to $300,000 and Mr. Fernandez is gone. In all of that operation he was the kingpin, and it seems to me that if we also could compile some facts like that, and on the judges or magistrates that are reducing bail, it also would be something very graphic for us.

Senator Cohen. Could I inquire whether Senator Nunn is directing his inquiry to the first panel of witnesses that we have that perhaps we should focus our attention on educating those who would be lured into the drug trafficking business, about the hazards of flying aircraft at 300 feet, the possibility of facing a 12-year sentence?

Senator Nunn. I won't exlude that.

Senator Chiles. Part of the information on some of this is available in the very comprehensive series of articles that was done by the Miami Herald. I wonder if maybe some of their information shouldn't be appended?

Chairman Roth. I think what we might do in this area, I will ask Mr. Weiland to work with the staff and develop a study and in doing so, consult with the members of the committee. We will have a complete memorandum on this.

Mr. Weiland. We will be happy to do that, Mr. Chairman.

Chairman Roth. To proceed, I understand we are going to have a vote in a few minutes.

Mr. Weiland. That is my understanding.

Chairman Roth. We will continue with our witnesses. We have a number of them today. So we are going to have to try to expedite it.

Mr. Ambassador, if you would please rise again: Do you swear the testimony you give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Ambassador Boyatt. I do.

TESTIMONY OF HON. THOMAS BOYATT, U.S. AMBASSADOR TO COLOMBIA

Chairman Roth We are delighted and very pleased to have you here today, I know you have a prepared statement. You might like to summarize it, and we will include your full statement in the record as if read.[1]

Ambassador Boyatt. Thank you, Mr. Chairman.

Good morning to you and to the Senators.

Mr. Chairman, I would also respectfully request that you include in the record with my testimony these slides of some operations in Colombia and the accompanying descriptive material.

Chairman Roth. Without objection.

[The material referred to was marked "Exhibit No. 6," for reference, and may be found in the files of this subcommittee.]

Ambassador Boyatt. Thank you.

In the interest of efficiency and speed, let me summarize briefly the problem. The problem has been eloquently stated by previous speakers and it is displayed graphically to my left. This year, and estimates vary by the way, I would estimate that marihuana production is much higher. This year we estimate that 25 metric tons of coca will flow to the United States from Colombia, that something on the order of 40,000 metric tons of marihuana will flow to the United States and probably 35 metric tons of methaqualone tablets.

What are we doing about this hemorrhage? In Colombia, in our Government's total effort there, we are operating at two levels: This first I call operational. That could be defined briefly as joint efforts by police officials, normal police work to disrupt the efforts of the major trafficking networks by arresting traffickers, seizing cocaine and marihuana and doing the normal kinds of police investigations, intelligence work and arrests that are normal.

The second area I call developmental. That is the area in which the U.S. Government funds and technical expertise are used to build Colombian institutions, the goal being that those Colombian institutions that deal with efforts to stop the flow of narcotics will be self-sufficient at some future point in time.

The developmental side involves expenditures on commodities, everything from patrol boats to K-rations, the former to interdict traffickers on the sea lanes and the latter to help keep the national police troops in the field in the Guajira area; to technical assistance, radar maintenance, helicopter maintenance; to training of drug enforcement agents, customs agents, the whole gamut of those who deal with narcotics.

Are we being successful or are we not? I think we are being very successful in absolute terms. The number of seizures has been going up every year and it looks like it will be up on the order of 300 percent this year, at least for methaqualone and for marihuana. The problem is that we are not being successful in relative terms. I say this without in any way downplaying, indeed expressing my great appreciation for the efforts of the police officials, both American and Colombian, who dedicate their lives and in some cases sacrifice their lives to stop this flow; I have to say to you that my judgment is that the degree of our success will vary directly with the degree to which we get to the source of the drug, whether it is a plant or a chemical. Therefore, I personally think that the United States should shift from the emphasis on interdiction to an emphasis on eradication. We can only do that with the cooperation of the Government of Colombia. In my judgment, that cooperation is dependent on two prerequisites. First, I think the Percy amendment has to be repealed and I understand that is train. Second, I think that before the United States can go to foreign governments and ask them with credibility to proceed to eradication, we have to eradicate in our own country.

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[1] See p. 510 for the prepared statement of the Hon. Thomas Boyatt.

I would hope that the administration, with the support of the legislative branch, will move to a policy of eradication and I think that if we do, and if these prerequisities are met, we will be even more successful in our efforts to stop the flow of drugs into the United States.

That is a 5-minute summary. I would welcome any questions the members might have.

Chairman ROTH. Thank you, Mr. Ambassador. We will follow strictly the 10-minute rule in the order of the Senators who appear.

Let me make one comment on your question of eradication in this country. I think that is a very important point that has come up time and again. Other countries don't take us to be serious about our commitment. It is my intent to send a letter, and I would hope that other Senators of the panel would be willing to join me to the Governors of those States in which there is a substantial growth of marihuana to try to determine what steps are being taken to promote eradication.

I might say that I am also going to look into the possibilities of some kind of amendment to the agriculture legislation to provide that perhaps those States that don't proceed aggressively ought to be subject to some reduction in funds flowing to those States as a measure to get wholehearted cooperation. But I agree with you, it is important that we do more here at home.

Let me ask you about the better utilization of foreign aid in attempting to eradicate the source.

How do you feel we can do more, or are there measures that can be adopted, to get better cooperation through the utilization of foreign aid? There are of course two approaches I guess. One you can try to adopt projects that will help replace the drug crops so that the farmers are having a substitute. That is a more positive approach. The other is perhaps a threat to cut off aid. Are either or both methods working?

Ambassador BOYATT. We have no aid program in Colombia. So the punitive approach would be a nonstarter there. I am not sure how effective that is on a global basis. I think that it will be necessary if we move toward eradication across the board to have a positive dimension to such a policy.

I think aid in the form of crop substitution programs or agricultural research programs, some form, some effort, some visible effort that makes it very clear that our policy is not simply destructive, but that it is also positive, would certainly make it a lot easier and make it a lot more likely that we would be successful.

Once we make the decision in this country, of course we have to go to the host countries and seek their cooperation and approval.

That is by no means a certain thing. Therefore, any program that we would have that would make our approach a positive one would be very helpful. I might say that in the early seventies, in Turkey, the poppy eradication effort there, that crop substitution was a very important part of that program and that program was successful.

Chairman ROTH. Do you feel the coordination between the several countries involved in the drug trafficking is adequate? Is there any need to try to organize a regional conference to better coordinate that, or do you think——

Ambassador BOYATT. I would support efforts for greater coordination. I do not think it is satisfactory now. What I see down the road, this is purely speculative, but what I expect will happen is that as our efforts for interdiction and eradication are more successful in the more settled areas of all of these countries, that there is going to be more and more operations moving into that vast jungle which is the Amazon Basin. Out there borders don't matter. They don't exist. It is somewhat fictitious to talk about the Colombian Amazon, the Brazilian Amazon, and the Peruvian. There is a single Amazon. To the degree the shift is there, it will be much more important. It is important enough now.

Chairman ROTH. I would like to work with you on trying to promote that kind of regional cooperation.

What sort of effect has drug trafficking—in the normal province of trafficking—had on the Colombian economy as a society? Has the crime rate risen substantially as a result of it?

Ambassador BOYATT. Yes, sir.

I think there are Colombians who will argue that the drug problem is an American problem. That is simply not true. The drug problem is affecting Colombia in three or four serious ways. One, as you suggest, the amount of criminal violence involved therein is causing a dramatic increase in that kind of violence. Second, when you have aggregates of resources on the order of billions that are involved in the drug trafficking, this provides the potential for great corruption in public institutions and public officials. Third, there is very good evidence that in the Guajira, in the northern part of Colombia, where most of the marihuana is grown, there is serious soil erosion going on as the druggers come in, and slash and burn and plant and then leave.

Fourth, there is an entire subterranean economy, a parallel economy, which is not controlled by either the monetary of fiscal authorities. So that the deleterious impacts of the drug business on Colombia are serious and serious Colombians understand it.

Chairman ROTH. We had testimony here on Tuesday about bribes being made to Colombian military personnel by drug traffickers. I wonder to what extent, how extensive is this official corruption?

Ambassador BOYATT. Obviously it is a very clandestine business and it is very hard to make a judgment. The military, that is, the Army, Navy, and Air Force, except in a support role, are pretty much out of the drug business and the major efforts are being prosecuted by the National Police.

The National Police as an institution have established a variety of procedures to combat this, such as alternating the units, the officers involved regularly and internal investigative procedures. But the human condition is the human condition. It is a problem. It will be a problem in Colombia and I might add in the United States.

Chairman Roth. Do you have any recommendations as to what Congress or this committee, subcommittee, can do? What additional tools could you use in the fight? I am sure you could use more money.

Ambassador Boyatt. I think it is important that the Percy amendment be repealed. I think it is important that the committee do everything it can to encourage domestic eradication efforts. I think it is important that the committee do what it can to deal with posse comitatus, so that military forces, at least in the surveillance and intelligence aspects of the business, can be involved in the war on drugs. I do think, sir, that the issue of resources is important. You cannot prosecute these programs without money. And the budgetary situation being what it is, perhaps it might be possible to transfer some resources which are being used domestically to combat the drug traffic to the international side because I think every person that comes up here is going to agree with the proposition that the closer you get to the source, the cheaper and the more effective your operation. And the source is overseas. That is where the plants are. That is where the chemicals are. Therefore, that is where our resources should be concentrated.

Chairman Roth. I think it is a very interesting point you make. In other words, of the resources we have, you feel they could be better utilized to eradicate the foreign source of the drug?

Ambassador Boyatt. Yes, sir.

My colleague, Ambassador Corr, in addition to serving in Peru and about to serve in Bolivia, was also Deputy Assistant Secretary of State for Narcotics and International Matters and something of an expert.

Chairman Roth. My time is up.

Senator Rudman?

Senator Rudman. I just want to come back, Mr. Ambassador, very briefly to the question which you used with the chairman regarding corruption. There was testimony, direct testimony, here, and also within the staff report, allegations of corruption, I think a bit more widespread than we might expect; judicial intimidation, killing of judges, people in the military speaking of very substantial bribery, and so forth. I understand that is the human condition and it varies from place to place in the world, but specifically what is the Colombian Government doing in a very vigorous way to work on this problem, because it is an idea that if this continues, no matter how much money you spend, you are going to have problems you just can't deal with?

Ambassador Boyatt. In addition to the steps that I mentioned with respect to alternating troops, moving them around and internal investigative efforts, the Government of Colombia is spending very limited resources and trying to strengthen the position of the judges.

With respect to judges, I would say that intimidation is a more serious problem than corruption. Just since I have been in Colombia, half a dozen judges have been gunned down, including a woman.

Senator Rudman. In drug cases?

Ambassador Boyatt. Judges that had made decisions in drug cases and our assumption is that that is the reason. It is a very serious business. But let me go back to my basic point, Senator. You cannot bribe a plant. Plants don't move. They are not mobile. Therefore, this is another argument as to why our policy should be directed toward eradication rather than interdiction.

Senator RUDMAN. I believe that most people who have served in the positions with the law enforcement would agree with that. But the amount of resources necessary, for instance, to interdict seaborne traffic alone, would require probably the Sixth Fleet, spread across the Mediterranean. Moving to the Caribbean, off the South American coast, we are not interdicting what we must, because we don't have the resources. But obviously until we repeal the laws that you speak of, and also get host governments to agree to that taking place, we can engage in eradication which, of course, has to be primary.

I wonder if you might have someone on your staff supply for the committee, because I would be interested in looking at it, the level of judicial intimidation by case so we might be able to look at that. That would be something I would like to see.

Ambassador BOYATT. Yes, sir. We have the statistics and we would be glad to supply them. I do not have them with me.

Chairman ROTH. Senator Nunn.

[At this point, Senator Chiles withdrew from the hearing room.]

Senator NUNN. Senator Chiles wanted to ask a couple of questions before he had to leave for another committee. If he comes back, I will be glad to waive the rest of my testimony.

Mr. Ambassador, you mentioned shifting resources from domestic to foreign drug efforts, getting closer to the source and so forth. I agree with that. But in what area would you put additional resources in the foreign area?

Ambassador BOYATT. I would put additional resources into eradication programs. I mean assuming we make a decision to go in that direction and assuming the host governments are agreeable, it is a fairly expensive operation, particularly in the early years when you are buying helicopters, that sort of thing.

I believe that the Mexican program costs about $100 million. We would presumably be doing something similar to that. In Colombia, with respect to marihuana, and in Bolivia, Peru, with respect to cocaine, supplementing these efforts with crop substitution and other economic developmental efforts, there are plenty of places to spend the money, Senator.

Senator NUNN. It is not a matter of personnel? It is not a matter of taking DEA agents from the United States and putting them in Colombia or something of that nature?

Ambassador BOYATT. My judgment on that with respect to Colombia at least—is that we have just about as many armed American police officials making cases in Colombia that Colombia can sustain. You know, there is a point beyond at which putting more police, our police officers, in another country become counterproductive.

Senator NUNN. Do they actually participate in arrests there?

Ambassador BOYATT. They observe the Mansfield amendment which means that they are not to be present when the arrests are made.

Senator NUNN. But they do get very involved indirectly?

Ambassador BOYATT. Yes, sir.

Senator NUNN. What do you believe would happen? I agree with you that the Percy amendment ought to be repealed. You know we have got legislation working its way through the process, unfortunately rather slowly because it is caught up in the House side on the foreign aid bill which doesn't look like it is going to pass anytime soon.

We may have to try to find another vehicle for it. But, nevertheless, let's assume we do repeal the Percy amendment. Let's assume we then go to Colombia and say we want to help. We want a cooperative eradication program in Colombia.

What do you believe the attitude of the Colombian Government will be to that response assuming it happens, let's say, next year sometime?

Ambassador BOYATT. Senator, I don't know is the honest answer. Colombia is, as you know, a functioning democracy with two parties, with an independent legislative branch that participates in the policy process.

We are going into an electorial period. A new House, a new Senate will be elected in March, a new President will be elected in May. What the constellation of political forces will be on the eradication issue after that process, I cannot predict with accuracy. What I can say is that as in the United States, this is an emotion laden political issue in Colombia. There are serious people on both sides of the issue. The debate will be joined and they will either accept or they won't.

I simply am not in the position to guess. I think that 3 years ago, 2 or 3 years ago, that the answer would have been certainly. In fact, there were Colombian officials who were coming to us suggesting that.

Senator NUNN. That is right. I recall that. We had some testimony on that at that time.

Ambassador BOYATT. But now I am not sure.

Senator NUNN. In Southeast Asia, we had testimony that the narcotics trafficking had got caught up in some countries with Communist insurgencies, guerilla-type movements, antigovernment movements.

Do you find that connection in Colombia?

Ambassador BOYATT. People keep saying there is no hard evidence of such a connection. I think there is some hard evidence of such a connection and the only—the real issue is what is the degree.

Let me say, and as the American Ambassador there, I am sure you understand that I study guerillas. I want to know who they are and what they are up to. The two major groups are the FARC which is the rural group and the M–19, which is an urban group.

In those groups, there are people who range all the way from hoods, thugs, criminals, through political idealists. It is a mistake to think of those guerilla groups as unified, because they are not. There is a great variation within them. Those on the criminal end are surely involved, even if it is only in the matter of providing protection to growers in return for money.

Whether there is a continual flow of arms back, there is no hard evidence to confirm that. But in the specific areas, there are linkages with specific purposes.

Senator NUNN. When you say linkages and you say there is hard evidence, you mean between guerilla activity and drug traffic?

Ambassador BOYATT. Yes.

Senator NUNN. Is there also linkage between Communist activity and drug traffic?

Ambassador BOYATT. Yes.

Senator NUNN. The guerilla groups are basically Marxist groups?

Ambassador BOYATT. The FARC is Communist and the M–19, their ideology is kind of confused, but I would say they are basically Marxist, yes, sir.

Senator NUNN. Is this a matter of concern to the Colombian Government?

Ambassador BOYATT. Yes, sir.

Senator NUNN. Do at least some people in government recognize that if this continues and the money flow continues to these groups that the very structure and the nature of the Colombian Government may be threatened?

Ambassador BOYATT. Very much so, Senator.

Senator NUNN. Is that crop perhaps the best argument we have got assuming we can repeal the Percy amendment for a cooperative eradication, perhaps, eradication-substitution program?

Ambassador BOYATT. It is a very strong argument, among the best.

Senator NUNN. Does Colombia have an indemic drug problem themselves as far as addicts, and so forth?

Ambassador BOYATT. It is growing. The statistics aren't very good. But our anecdotal evidence is that it is increasing as a problem. But it is nothing on the scale of the problem we face here and the public perception is that they do not.

Senator NUNN. Mr. Chairman, I will reserve the rest of my time. Senator Chiles might need his when he gets back.

Thank you.

Chairman ROTH. Senator Cohen?

Senator COHEN. What do you estimate the impact on the Colombian economy is, Mr. Ambassador?

We have had testimony over the years that in the State of Florida, for example, the impact on the economy is estimated to be anywhere from $5 to $7 billion on an annual basis and $50 billion nationwide.

What is the impact actually upon Colombia itself? What has it done to its economy? We see, for example, in the State of Florida, and Senator Chiles will come back perhaps to expand on it, that you have a State that is virtually addicted to this drug industry. People are buying $50,000 foreign cars, and investing in condominums on a cash basis.

So you have an economy itself that starts to get hooked on the drugs themselves.

[At this point, Senator Chiles entered the hearing room.]

Ambassador BOYATT. Yes, sir. Well, again, there are no statistics. So we are talking about perceptions.

First of all, I think that the vast majority of the money produced does go to Florida. My response, I am not an expert to the question, about what is the financial center for the South American drug trade, I would have said Miami, Fla.

Senator COHEN. The reason I ask is when we talk about having substitution crops coming into the United States to replace the drug industry, we have to have some idea what we are talking about, No. 1, to determine what this Government is going to be expected to bear as far as the cost, and No. 2, to determine what the Colombian Government is going to do.

In other words, we have to determine whether the Colombians have a vested interest in continuing this drug traffic as such or the production of drugs.

Ambassador BOYATT. I think that the Government of Colombia as a responsible government will look at that catalog of disasters that are happening in various areas of their body politic and body economic and judge, however much of that business stays in Colombia, it is not worth what it is costing Colombia in other areas.

Senator COHEN. We haven't done that yet.

Ambassador BOYATT. I have. You mean Miami?

Senator COHEN. I am talking about this country.

Ambassador BOYATT. The United States.

Senator COHEN. Right.

Ambassador BOYATT. No. I don't. We haven't basically made a decision as to how we are going to go on this issue which vastly complicates my problems in Colombia, obviously. But I don't know. Perhaps $500 million stays in Colombia in one form or another, the amount that is paid to the small grower, the amount that goes to the trafficking families, the amount that goes into buildings, to the construction industry in that country. But I think I would say that the biggest chunk of it is coming to this country.

Senator COHEN. Let me just go back to the Percy amendment. I believe too that the time has come to eliminate the amendment. But perhaps you ought to explain the background behind it.

As I recall at the time that Senator Percy offered that amendment and it was passed, there was great ambivalence in this country as to what the health effect of marihuana was. The fact was that you had a social phenomena taking place with millions and millions of people using it for the first or second time on an experimental basis.

As I recall, Senator Percy was concerned that the use of chemicals in spraying the marihuana was actually more dangerous than the marihuana itself. That is what led to the passage of the Percy amendment.

I am told that health studies subsequent to passage of the amendment have indicated that marihuana is not as hazardous to our health as we first suspected. This finding would therefore remove the basic underpinning of the Percy amendment. But I was wondering from your information, and perhaps this is not your area of expertise, but couldn't we use chemicals to color the marihuana or give it an odor which would alert potential users that the marihuana was in fact treated with chemicals which could prove harmful to them?

In other words, you don't want to get into the situation where you have kids in school experimenting with marihuana and suffering some long-term permanent damage?

Ambassador BOYATT. First of all, let me say that the experts that talked to us made two points: One, that there is no evidence that paraquat is harmful, and, two, and this is more important, there is a lot of evidence and accumulating evidence that marihuana is harmful.

Therefore, I would say that whatever the perceptions were when the Percy amendment was passed, the reality is now the reverse.

Senator COHEN. But that is changing across the country. For example, I know in my own State of Maine that, because of the social phenomenon aspects of it, the authorities have actually reduced possession of small amounts of marihuana to a misdemeanor. That was repeated in a number of different States.

We have gone through a period of great ambivalence in this country, comparable to the years in the twenties when we were outlawing liquor. That is changing now. So I think we are seeing a reason for eliminating the Percy amendment.

Ambassador BOYATT. Let me also say as you know the Mexican Government did use paraquat in its herbicidal spraying program and to my knowledge there is no confirmed case of damage resulting from that.

With respect to markers, I don't know where that is experimentally. There was something about putting essence of skunk in paraquat or a color. I just don't know where that is, Senator. But I think the basic point here is that there is no evidence that it is harmful. There is a lot of evidence that marihuana is harmful.

Senator COHEN. I think that is the proper basis for eliminating or repealing the Percy amendment.

Ambassador BOYATT. Yes, sir.

Chairman ROTH. Senator Chiles?

Senator CHILES. Good morning, Mr. Ambassador.

Ambassador BOYATT. How are you?

Senator CHILES. Fine, thank you. We have repealed the Percy amendment in the Senate. In doing so we also provided, Senator Cohen, that if we develop a marker, that we will use it and we also have provided that we will monitor cases of any harmful health effect. The Ambassador is correct.

When we get back and look at the time when the spray program was going in Mexico, there is not a single confirmed case of permament health damage. So we really had some great misinformation or disinformation that was circulated in regard to it.

Paraquat is the most commonly used herbicide for agricultural practices. It is used in your State, I am sure. It is certainly used in mine. It is used in Colombia on bananas. It is used on tobacco. It is a weed killer. It is the most commonly used weed killer that we have. It is used on all kinds of crops in this country; soybeans, wheat, et cetera.

So, if people are talking about paraquat and the great dangers, they ought to be looking at all of these other uses.

Senator COHEN. If you would yield, I think that was the basis of the Percy amendment when it passed in the Senate originally.

Senator CHILES. It was. Many of us felt it had these harmful effects.

Senator NUNN. We have made paraquat safer than bread and marihuana safer than bread. [Laughter.]

Senator CHILES. Mr. Ambassador, what I am concerned about is we have not repealed it in the House. There are some problems as I understand it because it is attached to the foreign aid authorization bill and there is no telling when or if that bill is going to come up.

Could you tell us, with the Presidential elections that are now taking place, what kind of time deadline do you see that we are working under to try to get some kind of a spray program in place while President Turbay is still in office? And your prediction as to whether we could enter into a program with President Turbay and also if you will give us some kind of a time projection for the appropriations cycle, recognizing we are going to have to appropriate money?

Ambassador BOYATT. Yes, Senator Chiles. My frank judgment is that given the Colombian political process, it is now too late right now—let alone in the future—to in fairness go to the administration of President Turbay with a suggestion for an eradication program which will be very important for Colombia.

The Presidential elections are in May. The political process is already engaged. There is a candidate for the Liberal Party and on November 29, there will be a candidate for the Conservative Party. There is also a dissident liberal in the field. So that I don't think that it is in the best interest of either the United States or Colombia to go to Colombia with such a proposal now. I think that that political process should be completed and a new government in place.

Senator CHILES. We have already missed that time cycle?

Ambassador BOYATT. Yes; I regret to say that we have. My judgment is that anytime in the last 3 years that an eradication program would probably have been welcomed by the Government of Colombia. But that now it is too late for that; that we have to wait until the political process completes in this democratic country and then to decide how we want to proceed and then build it, government to government.

As I told Senator Nunn, I am not in the position to predict how Colombia is going to go. I just don't know.

Senator CHILES. Give me your idea of how important it is going to be as to what kind of weight or importance the United States places on that proposition in regard to seeking the assistance of Colombia?

Ambassador BOYATT. Absolutely critical, Senator. Unless the body politic in Colombia are convinced that the United States is truly serious about this problem and that we confirm our seriousness by such steps as repealing the Percy amendment, initiating our own herbicidal spraying programs against domestically grown marihuana, devising a program for eradication that is both adequately funded and involves some degree of positive economic——

Senator NUNN. Such as crop substitution, Ed?

Ambassador BOYATT. Yes; that we will not be successful.

Senator NUNN. The other point I am reaching for is given our relation, bilateral relationships with Colombia and the United States is it also going to be a key factor that Colombia is going to have to know that we consider this to be a centerpiece or the centerpiece in our bilateral relations?

Ambassador BOYATT. Yes, sir. Absolutely.

Senator NUNN. So that means the President of the United States has got to speak out on this and has got to show Colombia that this is a centerpiece of our relationship.

Ambassador BOYATT. Yes, sir.

Senator NUNN. I understand you are not going to speak for the President of the United States.

Ambassador BOYATT. No.

Senator NUNN. Is it going to be necessary that we make this, that we convince the Colombians that we consider this to be a centerpiece?

Ambassador BOYATT. Yes; absolutely.

Senator NUNN. Tell me if you can quickly about what kind of funding that you see involved here.

Ambassador BOYATT. Yes, sir. The Mexican program costs $100 million. I would suspect that on the eradication side that the Colombian program would cost something less. But then there are complements to this program to the other countries in the area. There are speakers who follow me who can probably address this globally with more exactitude than I can, but I would guess on both sides, both on the eradiction side and on the positive economic side we would be talking $100 million a year for several years.

Senator COHEN. Is that on each side?

Ambassador BOYATT. No; I would say 50–50.

Senator CHILES. Given the fact we are now spending about $900 million a year annually in trying to combat drugs, do you think that this, let's say it is $10 million a year that we will put into a program to eradicate marihuana in Colombia——

Senator NUNN. $100 million.

Senator CHILES. I am saying per year. He is talking about a total of $100 million, so you couldn't do it in a year.

Ambassador BOYATT. Are we talking just about Colombia?

Senator CHILES. Colombia.

Ambassador BOYATT. Say $100 million a year for—$10 million a year for eradication and another $10 million for some kind of economic help.

Senator CHILES. $20 million a year?

Ambassador BOYATT. Yes.

Senator CHILES. The question I want to ask, my time has expired, is this an effective way to use part of the $900 million that we are now spending in trying to combat drugs, is this a cost effective way?

Ambassador BOYATT. Absolutely.

Senator CHILES. To spend up to $2 million a year?

Ambassador BOYATT. Yes.

Senator CHILES. In Colombia to try to get a spray program and the programs that would go with that for crop substitution or education?

Ambassador BOYATT. I think that that is just unchallengeable; yes.

Senator NUNN. Senator Chiles, Senator Roth and I were just talking about the possibility of finding another bill that would perhaps go through more rapidly than the foreign aid bill can go through the House. What about joining forces on a bipartisan way to try to put your amendment on the continuing resolution?

Senator CHILES. I think it would be great and I believe the support is there, I believe, on the floor of the House to pass that. I think it is more a problem of having the vehicle. I think that would be an excellent idea.

Chairman **Roth.** The only difficulty I see is can you put that on an appropriation? But anyway, I think we ought to look for whatever vehicle.

Senator **Chiles.** We may have to find several vehicles to put it on.

Senator **Cohen.** MX. [Laughter.]

Senator **Nunn.** B-1 bomber.

Chairman **Roth.** I do want to warn the panel it is 10 after 11 and we have several distinguished witnesses. I don't want to cut this off.

Senator **Rudman.** I want to make one brief comment, Mr. Chairman, if I might and I think the testimony here and the dialog is very interesting but one thing we should not lose sight of that, that is the testimony that we have, most intelligence data that we know of concerning marihuana would indicate that right within the Continental United States within about a 3-year period we are going to be producing probably enough marihuana to cut down much of that which is being imported. So if we are going to do it, we have to recognize it has to be a total solution and, of course, we have got some environmental problems in this country, talking about spraying as the Senator from Florida is well aware of. I hope we can look at it as a total problem rather than simply eliminating it here and find it coming from someplace else.

Senator **Nunn.** Are you suggesting that if we handle it the way we handled the Medfly we may not meet with success?

Senator **Rudman.** I agree.

Chairman **Roth.** I would point out to the panel that we do have a representative coming later this morning, the last witness, to talk about the domestic problem. I am not sure we will get to him or not at the rate we are going. But I agree it does have to be a total approach.

Mr. Ambassador, I want to thank you on behalf of the panel. If there are any further questions I would ask that they be submitted in writing. If you would be kind enough——

Ambassador **Boyatt.** I have Senator Rudman's question on the judicial situation.

Senator **Nunn.** I want to thank the Ambassador. It is very impressive testimony. We appreciate it. I will waive the rest of my questions for these witnesses until I hear their basic story and then go to the written questions for the record for them.

Chairman **Roth.** Why don't we see how we proceed before we make that decision. But we appreciate your appearance, Mr. Ambassador.

Next, we have Mr. Stephen M. Block, Deputy Director, Office of Andean Affairs, Department of State. Would you please raise your right hand? Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. **Block.** I do.

TESTIMONY OF STEPHEN M. BLOCK, DEPUTY DIRECTOR, OFFICE OF ANDEAN AFAIRS, DEPARTMENT OF STATE

Chairman **Roth.** Please be seated. We would like to proceed on the same basis that we did with the Ambassador, have you summarize your statement, and we will include the full statement as if read.[1]

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[1] See p. 517 for the prepared statement of Stephen M. Block.

Mr. **Block**. Very good, Mr. Chairman.

Senators, the testimony before the subcommittee today on the narcotics problem in Bolivia, is particularly timely, because the White House last week announced the nomination of Ed Corr to be Ambassador to Bolivia. As you undoubtedly know, the narcotics problem was a major factor in our decision not to return the Ambassador to La Paz following the military takeover in July 1980.

Let me begin by just very briefly sketching some of the background which led to our taking what is really just the first step in the process of normalizing our relations with Bolivia.

General Garcia Meza seized power on July 17, 1980, interrupting a process which we believe would have led to the establishment of a civilian, constitutional government in Bolivia. We viewed the process which he interrupted as being positive both in terms of promoting political stability for Bolivia as well as democratic principles. The American Ambassador, following the coup, was recalled because of threats on his life and we made a decision not to return him to La Paz and to conduct relations with the Government of Bolivia at the charge level for 16 months.

We also at that time reduced our official presence in La Paz, and we reduced our programs substantially. These decisions, Mr. Chairman, reflected our concern about the policies of the Garcia Meza regime in basically the following areas. We were concerned particularly about narcotics trafficking, we were concerned about the derailment of the constitutional process, we were concerned about human rights violations and we were concerned about economic mismanagement.

We suspended our military assistance programs. We withdrew our military group personnel, and we substantially reduced or suspended U.S. development assistance programs.

What aid we did continue was mainly in the humanitarian area. Shortly after the coup, in July 1980, we learned that some of the senior government officials of that government were involved in narcotics trafficking or they were receiving large sums of money from traffickers. At the same time, according to our best information, trafficking increased. We concluded that we could not expect meaningful cooperation from the Garcia Meza regime in the fight against narcotics and consequently withdrew our DEA presence.

We continued to have discussions with the Garcia Meza government over the next year, but unfortunately those discussions were without any satisfactory outcome. I said that we withdrew our Ambassador, and I would also note that many other governments had similar reactions to the July 1980 coup.

Appended to my statement will be a table which will outline the reaction of these other governments.

In August of this year, the three Armed Forces commanders forced Garcia Meza out, and they formed a ruling junta. This lasted about a month, and in September Army Commander General Celso Torrelio Villa became the sole President of Bolivia. I am pleased to inform the committee that the Torrelio government has responded positively to our major concerns, particularly by indicating a commitment to take effective measures in the narcotics field. He removed from high government office persons who were suspected of involvement in trafficking. In September the government published the names of five Bolivians who had been indicted in the United States for narcotics trafficking and offered a reward for information leading to their capture.

Particularly important, Mr. Chairman, is the fact that last month the Government facilitated the voluntary surrender in Miami of two of these indicted Bolivian traffickers, one Alfredo Gutierrez and the other, Marcelo Ibanez.

I said at the outset that we have taken the first step in normalizing relations with Bolivia, and I would emphasize that this is just a first step. Let me briefly outline, if I may, the dimensions of the narcotics problem in Bolivia, unless you prefer that I omit it, Mr. Chairman.

Chairman Roth. Please proceed.

Mr. Block. There are two principal narcotic-growing regions in Bolivia, one is the Yungas and the other is the Chapare. The Chapare is of particular interest to us, because that region is the source of the basic ingredient of cocaine, which in turn enters the U.S. market. We estimate that the Chapare produces approximately 50,000 metric tons of coca leaf. This theoretically could serve as the basis for up to 100 metric tons of cocaine hydrochloride.

Bolivia actually produces some of this cocaine hydrochloride, but a great deal more is made in Colombia from Bolivia-origin coca derivatives.

The total value of the illicit drugs produced in Bolivia is believed to be as high as $1.6 billion or about three times the value of the leading export, that is, tin. The money does not enter the economy in its entirety. Much of it finds its way outside the country.

[At this point, Senators Chiles, Nunn, and Rudman withdrew from the hearing room.]

Mr. Block. For several years preceding the 1980 coup, we had been contributing to the Bolivian efforts to control cocaine production and trafficking. We supported programs which would limit the availability of the leaf to legitimate users, and we supported an organization (PRODES) which has crop substitution as its principal objective.

[At this point, Senator Nunn entered the hearing room.]

Mr. Block. Even though our assistance is now sharply reduced, as I said at the outset, we are still earmarking $250,000 for a crop substitution program for the period which began last July to September 30, 1982. This amount is considered the minimum funding necessary to prevent PRODES from collapsing. It is not, however, enough to expand its operation allowing it to proceed effectively in the crop substitution area.

Mr. Chairman, the United States is the only Government thus far to be active in the area of antinarcotic programs.

It is our judgment that the Torrelio government is serious about cooperating with us in the field of narcotics. The Drug Enforcement Administration reopened its office in La Paz last September and assigned a special agent to it. We are going to be looking to our Ambassador to give his assessment and recommendation concerning the appropriate size for the DEA staff.

Despite some positive steps and encouraging pronouncements from the Torrelio government, we are looking to it for basic actions in three basic areas: First, suppression of narcotics manufacturing and trafficking; second, action to control production and marketing of the coca leaf; and, third, effective work in agricultural development or crop substitution. As the evidence accumulates that the government of General Torrelio is undertaking effective measures within these areas, we will consider—of course within our resource limitations—resuming our antinarcotics programs.

We don't minimize the difficulties of fighting the evil. What we are looking for from the Torrelio government is evidence of its commitment to engage in the battle against it.

Let me just mention that although the focus of this hearing is on narcotics, the Torrelio government has been responsive to our concerns in other areas: Human rights, economic management, and the matter of constitutional and democratic government.

I would conclude, Mr. Chairman, by saying that the exceptionally negative factors which have prevented our having an ambassador in La Paz have been corrected by the Torrelio government. We have, therefore, decided that it is appropriate to send an ambassador to La Paz who will work with the Bolivian authorities to advance our goals. I would add what I think is apparent to the members, that the choice of Ed Corr as Ambassador to Bolivia is particularly appropriate. Ambassador Corr has a background in narcotics in the State Department and therefore knows the situation in Bolivia thoroughly.

Thank you.

Chairman Roth. Thank you.

Because the Ambassador will be our next witness, I will make my questions very brief. But, Mr. Block your statement does indicate that the naming of a new U.S. Ambassador to Bolivia is not an indication of full normalization of relations. Do the Bolivians understand this to be the case?

Mr. Block. Yes; that has been made very explicit, and they fully understand our concerns, particularly in the narcotics field.

Chairman Roth. Reportedly, the current government has made assurances to correct abuses of this Garcia regime. What sort of assurances have been made and have timetables been discussed?

Mr. Block. I think we have not gotten to the point, Mr. Chairman, of discussing timetables. They understand that they have got to deal with the problem in the three areas that I mentioned, namely, dealing with the problem of production of the cocaine itself, working to control the leaf and then finally in terms of crop substitution. What they have done thus far, Mr. Chairman, is to entirely change the environment which existed under the Garcia Meza regime, which was favorable to traffickers and in which they were able to move freely without any fear of being arrested. That climate has changed.

Chairman Roth. Senator Nunn?

Senator Nunn. Just one question.

What is your estimate of the amount of the gross national product of Bolivia that is comprised of narcotics trade?

Mr. Block. Let me give you a written answer to that. I don't have a precise figure.

[The information to be furnished follows:]

DEPARTMENT OF STATE,
Washington, D.C., November 17, 1981.

Mr. S. CASS WEILAND,
Chief Counsel, Committee on Governmental Affairs, Senate Permanent Subcommittee on Investigations, Washington, D.C.

DEAR MR. WEILAND: Following my testimony on November 13 concerning Bolivia, I was asked by Senator Nunn what percentage of Bolivia's GDP was accounted for by the narcotics traffic. I would be grateful if you would provide my response to Senator Nunn and any other members of the Subcommittee who might be interested.

It is difficult to estimate the value of the illicit narcotics traffic in Bolivia. While it is probably somewhat on the high side, we are using a figure of $1.6 billion annually. It is difficult to relate this illicit trade to Bolivia's GDP, because a substantial portion of this value does not enter the Bolivian economy. At the risk of entering certain values twice into the GDP calculation, I would add the $1.6 billion to the GDP of $5.98 billion (1980) and then conclude that the illicit narcotics trade is 21 percent of GDP.

Please let me know if the Subcommittee has other questions concerning Bolivia.

Best regards.

Sincerely,

STEPHEN M. BLOCK,
Deputy Director, Office of Andean Affairs.

Senator NUNN. We have heard that substantial narcotics profits in Bolivia have undermined governments of Bolivia in the past. Do you agree with that?

Mr. BLOCK. Absolutely. It is certainly our judgment that the Garcia Meza government was very much dependent upon and very much involved with the traffic.

Senator NUNN. To what extent did the cutoff of aid to Bolivia have an influence on their new attitude toward dealing with our Government in narcotics enforcement?

Mr. BLOCK. I would say that the response of the Bolivians has been mainly the result of our decision not to return our Ambassador to La Paz. Bolivia found itself politically isolated from the international community as a result of the U.S. decision and similar decisions by other countries.

I think that was probably the most effective factor. The cutoff of aid, in the case of a country like Bolivia, was also important.

Chairman ROTH. Thank you.

Thank you very much, Mr. Block. We appreciate your being here today. At this time I am pleased to call Ambassador Edwin Corr.

Mr. Ambassador, will you please raise your right hand? Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CORR. I do.

TESTIMONY OF HON. EDWIN G. CORR, FORMER U.S. AMBASSADOR TO PERU

Chairman ROTH. Thank you. As we have done with earlier witnesses, we will include your prepared statement in the record as if read if you care to summarize it.[1]

Please proceed.

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[1] See p. 530 for the prepared statement of Edwin G. Corr.

Mr. CORR. Mr. Chairman, members of the subcommittee, I am very pleased to be here. I will make my comments brief in order to have time for any questions that you might have.

During the past year particularly, the Government of Peru, with U.S. Government support, has taken some very significant steps toward making its narcotics control programs more effective. The enforcement activities that the Drug Enforcement Agency of our country supports and collaborates in, have continued, and with considerable success. One of the more notable things is that the government, as mentioned here earlier by the DEA representative, has established a special unit that is now located in the Tingo Maria, the Upper Huallaga Valley. We believe it is well equipped, that it is effective, that it is under honest and very vigorous leadership. The very presence of that unit alone has had an effect on the coca growing. That is one indication of the continued Peruvian activity in the field of enforcement.

I would like to mention also that I believe some progress is being made in the judicial field. It is my opinion that although there is still much to be done worldwide with enforcement agencies, in countries that are producers and/or transit countries, and also in the United States, police efforts have outstripped effective efforts in judicial areas. This is particularly true in some developing countries.

In an attempt to try to get at this, in Peru, we have had some specific projects to support the Attorney General's Office and the Minister of Justice. But primarily by using diplomacy and working with the key officials of Peru I believe that progress has been made in the judicial field. In addition to strong Ministers of Justice and very honest and upright judges that have been appointed to the Supreme Court. There is also what is called a Fiscal General by the name of Gonzalo Ortizde Cevallos, who is known for his honesty and integrity, and who has taken a special interest in the judiciary. He has set out to try to correct any inappropriate judicial actions that come to his attention.

An example of this is the case of a notorious narcotics trafficker by the name of Mosca Loca—at least that is the name he goes by. This man has been arrested on several occasions, but somehow or other has always been able to find a way to be released. When the Fiscal General heard that Mosca Loca was again on the verge of being set free he immediately took legal action to have the case remanded for a new trial. It is this kind of commitment and effort that I think is particularly important.

Finally, the Peruvian Government has begun a concerted effort in the Upper Huallaga Valley. You will hear more about that from the AID representative here, Mr. Weber, so I will not go into that in detail, but it is an example of the type of thing that we were talking about earlier, the use of AID programs in carrying out developmental projects that will complement and reinforce narcotics control activities.

I believe that the project that has been developed in the Upper Huallaga is excellent, not only in terms of what it will contribute to narcotics control, but also as a development project. Because of his association with narcotics, I believe it was subjected to criteria and standards that are higher than most development projects and that we will be able to kill two birds with one stone, so to speak, and that we will carry out the very important development effort and we will also have an impact on the production of coca in that region.

I want to emphasize that narcotic controls is an important matter to the Peruvian Government. It is something that the President, the Vice President, the Prime Minister, and other ministers of government spoke frequently about to me as the Ambassador. They realize that they have great institutional problems and the challenge is very great, but I believe that they are very sincere in working on this problem.

At the same time, I would note that among the priorities that they have, it is not their very top priority, and they do have limited resources; but it is something that they are definitely interested in and want to do something about.

The final comment that I would make in my oral remarks is that one of the main things we did in Peru was to make certain that there was a single U.S. Government narcotics control effort to support the Peruvian program, that there was not a number of individual agency programs, but that we are all integrated into the single program. I believe that we have done a very good job in that respect.

Having said that much, and you having my written record, I will stop.

Chairman ROTH. Thank you for your very excellent statement, Ambassador.

You heard me ask earlier, Ambassador Boyatt, the question of what additional tools do you need in this struggle against illegal drug trafficking. I wonder if you have anything to add to what the Ambassador said.

For example, it is my understanding that you have experience not only in South America, but in the ASEAN countries as well.

Would you care to comment on the better coordination and cooperation between countries in this international trafficking? For example, would it be advisable to have some kind of a top level conference involving the ASEAN countries as well as Japan and possibly Hong Kong? I would raise the same question with respect to those countries involved in illegal trafficking in South America. What other recommendation would you care to make?

Mr. CORR. I do believe that that would be very useful. We have, as was noted here earlier, had conferences in the past. I believe on the whole they have been useful and that we should promote such meetings in the future.

Chairman ROTH. Are there any other tools you need generally beyond what Ambassador Boyatt mentioned?

Mr. CORR. I think that you have covered the subject very well. I might try to reinforce a couple of things that have been said. I believe if we were running a business and we were looking at the problem, we definitely would transfer some of the resources that are now directed toward the problem within the United States to try to address the problem abroad. Most of us, if not all of us, who have worked in narcotics control for some time are fully convinced that you get far more for your money the closer you get to the source.

I would reinforce what Tom said about eradication—it is the most important element for a lasting and successful solution. I would emphasize, however, that it is a mix of activities that we need. We do need to eradicate. We need to have in source countries income substitution, and we need to have enforcement. The mix of the program depends upon the conditions of the country and the drug that we are attempting to eliminate.

Chairman ROTH. I gather that at least where you have a reasonably strong central government, efforts to eradicate the source has been successful. Is that correct?

Mr. CORR. It has been in both Turkey and Mexico. I would say that those programs have been highly successful. In Turkey, there was a mixture of income substitution and enforcement. In Mexico there has been less stress on income substitution. In countries where the government is not as strong, does not exercise as great a control, the income substitution side has to be emphasized more heavily. The central government in these cases does not have the moral authority, legitimacy, and strength to carry out eradication programs without offering something to the producers in return. Countries with very strong central governments can sometimes take measures that even in this country would be difficult to undertake.

Chairman ROTH. How much validity is there to the argument offered against coca eradication in Peru that expresses the so-called traditional use by the native population?

Mr. CORR. I would say first of all that neither in Bolivia nor in Peru has the U.S. Government proposed plans or programs to eliminate the mastication of coca by indigenous peoples. I would note, however, that under the 1961 Single Convention on Narcotics to which both of these countries are parties, they undertook to try to eliminate coca chewing within a 25-year period. Neither country will do that.

It would be impossible within the remaining 4 years, and our programs have not contemplated that. Coca chewing is deeply engrained in the culture, in work, and in the rituals and superstitions of the people. For instance, among the miners it is considered necessary to avoid disasters, et cetera. It would be an impossible task to eliminate coca chewing in any short period. Moreover, the value of doing so might be questionable until we understand better the function of coca chewing to those people.

This makes eradication of illegal coca more difficult because one must permit legal production and control the product. One must assure that there is not leakage and still assure that there is sufficient coca for the traditional chewer. That complicates the problem, but I believe it can be done. There will always be some leakage but I think that there are effective control measures that can be undertaken. The amount of coca required for legal chewing is relatively small in comparison to the amounts being produced. We need to focus on the excess production which goes into the illicit trade.

Chairman ROTH. My time is up. I do want to wish you well in your new assignment. I am sure it is going to be extremely challenging and, hopefully, rewarding.

Senator Nunn?

Senator NUNN. I join the chairman in that good wish. It is a tough job, an important job and takes a good man to do it.

Is interdiction worth the money that we are putting on it?

Mr. CORR. Certainly we have to have interdiction. We have to go after the major traffickers. Interdiction is extremely important. However, emphasis on eradication of the crop should be the major thrust. In addition, I think financial investigations not only in the United States but also in source countries is extremely important. I think experience reveals that in traditional efforts of enforcement and interdiction normally we do not get the very big traffickers.

We most often get people who are working for them. With respect to interdiction it is extremely important that we make our efforts where the major trafficking is occurring. This is usually in very remote areas. If we are talking about Peru, it is out in the jungle. Police make lots of narcotics arrests in Lima. Most of these arrests involve fairly small amounts of coca, whereas through the jungle region coca is being carried out in boat and airplane loads. Because of that, in Peru we are shifting our interdiction emphasis from the coast to the jungle. It is important to make certain that we are interdicting where the largest volumes of drugs are trafficked.

Senator NUNN. Have you found there to be a link between the narcotics traffic in Peru and terrorist activity, a guerrilla activity?

Mr. CORR. No, sir. I have not. I conclude from an examination of the problem that most narcotics traffickers will avoid guerrilla activity. I can't say this with any certainty—it is an area in which our information is not very good—but narcotics traffickers are not looking for problems or attention. They primarily want to do business. To the extent possible they would avoid association with the guerrillas. In many of these countries traffickers have had quite a bit of freedom. They are not looking for additional problems. In Colombia, where I also served and have some knowledge, I think there has been some evidence of an interrelationship, as Tom pointed out, of some connections, but usually the evidence for such connections, I think, are rather weak.

When we get into the Middle East and some other places, guerrillas often have other sources of financing from governments that are well known to us. Guerrillas therefore do not need to hurt their own cause by association with narcotics traffickers. There would seem to be reasons for both of these groups not to become too closely linked with the other.

In Turkey, there was some evidence that people who were carrying heroin through Turkey up into central Europe were also carrying guns into Turkey. So there have been some links. But in many cases those links are rather tenuous. There is also, it seems to me, a tendency for affected governments to want to link them for political reasons, but I have been looking at the problem for quite some time and the amount of hard evidence that I have seen to establish that linkage has not been very great.

Senator NUNN. Thank you very much.

Chairman ROTH. Senator Cohen?

Senator COHEN. Just one point.

I understand that your home in Lima was a target of a bomb recently?

Mr. CORR. That is right; my home and the chancery.

Senator COHEN. Do you attribute that to pure political terrorism? What do you attribute it to?

Mr. CORR. I attribute that to political terrorism, to a small group of people in Peru who are trying to do damage to a democratic government, trying to discredit it, who are trying to cause investment problems for that country. I think that the actual number of ideologically oriented terrorists in Peru is probably small enough that if the Peruvian Government knew exactly who they are and where they are, that they could be eliminated by the Boy Scouts.

Senator **Cohen.** Boy Scouts don't make bombs, though.

Mr. **Corr.** No. They don't. What I meant to say was I think there are not very many terrorists in Peru, but they are dedicated to cause problems to hurt the new democratic Government of Peru.

Chairman **Roth.** Thank you, Senator Cohen, and thank you, Ambassador Corr.

Again we wish you well in your new assignment.

Mr. **Corr.** Thank you.

Chairman **Roth.** We look forward to working with you.

Our next witnesses are Mr. Joseph Linnemann, Deputy Assistant Secretary, Bureau of International Narcotics Matters, Department of State, and Richard Weber, Director, Office of South American Affairs, Agency for International Development.

Gentlemen, if you will raise your right hands. Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. **Linnemann.** I do.

Mr. **Weber.** I do.

TESTIMONY OF JOSEPH H. LINNEMANN, DEPUTY ASSISTANT SECRETARY, BUREAU FOR INTERNATIONAL NARCOTICS MATTERS, AND RICHARD F. WEBER, DIRECTOR, OFFICE OF SOUTH AMERICAN AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Chairman **Roth.** Please be seated.

I would ask that both of you, if you could, because of the lateness of the hour, summarize your statements. Your full statements will be included in the record as if read.[1]

Chairman **Roth.** Mr. Linnemann.

Mr. **Linnemann.** Thank you, Mr. Chairman. I thought a few benchmarks might be in order to amplify the statement which was submitted for the record.

First, 1 ton of heroin brings a street value in dosage units of approximately $2.3 billion. One ton of cocaine in dosage units on the street has a value of in excess of $780 million. One ton of marihuana has a street value of approximately $1.6 million. These were figures developed last year by the Drug Enforcement Administration. They also estimate, along with the IRS, that the illicit, underground economy in drug trafficking at the retail level is in excess of $80 billion. That is quite a business. To combat this, the Federal Government—as has been pointed out previously—spends approximately $900 million to $1 billion. About 95 percent of that is spent domestically for demand reduction programs such as treatment, rehabilitation, research, and education, and about half of it domestically through law enforcement activities. Overseas we spend approximately 5 percent of that amount.

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[1] See p. 539 for the prepared statement of Joseph H. Linnemann.

Yet I believe that our sister agencies and members of this subcommittee and other Senators have always placed the highest anticipation and expectations on the international area.

We believe that through a concerted effort of law enforcement, which is desperately needed overseas, the DEA has done an excellent job. With eradication, income substitution, and pilot demand projects, we can make an impact on the overseas flow.

The key to it is, No. 1, eradication, and having the resources in order to carry out these particular initiatives. But, as importantly, I think, is the perception that we have abroad. Up until this point, I believe that the United States has been seen or perceived to be somewhat ambivalent on drug trafficking and drug abuse. I believe Senator Chiles' State of Florida, is in a state of disarray, given the huge amounts, both money and drugs going into that particular State. But at the same time, the press that the United States has overseas is that we do not eradicate. Sixty Minutes—20–20 have done shows going into the marihuana fields. Yet we do have the Federal Government, along with the State governments doing some eradication, but this word never gets across.

The other problem is paraquat—it is a symbol that the United States is ambivalent. At this time we are precluded by that statute from entering into other eradication programs. Hopefully with the repeal of that particular amendment we will be able to see some movement during 1982. With that I will submit for questions.

Chairman ROTH. First, we will call on Mr. Weber.

Mr. WEBER. Mr. Chairman, I have a very short statement. I will just read the operative parts of it and leave off the material you have already heard from other witnesses. I think it would be the easiest way. Beginning in 1979, a series of studies were carried out in which both AID and INM participated to determine the feasibility of assisting the Government of Peru with an agricultural development program in the Huallaga Valley which could help the farmers in making the transition from coca to other agricultural production which would provide them with a reasonable income. It was recognized from the beginning that there is no other crop which over the medium and long term will produce as much income to the farmer as coca since the traffickers can usually raise the price to the farmer. There are crops, however, that may approximate current prices farmers in the Upper Huallaga receive for coca. If there is an agricultural promotion program in place, these farmers may not suffer significant income loss. However, in order for an agricultural development project to succeed in an area like the Upper Huallaga Valley, it is essential that it be coupled with a vigorous enforcement effort on the part of the government.

Therefore, development of the AID's project has proceeded in parallel with the development of an enforcement project by INM and the Peruvian Government. A formal proposal was approved on September 8, 1981, and shortly thereafter a $15 million loan agreement was signed with the Peruvian Government. An additional $3 million in AID grant funds are planned for future years.

The Peruvian Government will contribute the equivalent of approximately $8.5 million to support the project.

On the eradication side, the project agreement was signed between INM and the Peruvian Government for the amount of $1 million.

INM plans to spend up to $17½ million on enforcement and eradication over the next 5 years.

The AID project will cover an area of about 3,400 square miles along a 1,100-mile stretch of the Huallaga Valley, of which only some 8 percent is suited for intensive agriculture.

Mr. WEBER. The estimated 1980 population of the area was about 110,000, up from about 77,000 in 1972. The project will involve a mix of services needed to improve agricultural productivity in the region, including research extension, training, utilizing the staff of the University of the Jungle located in Tingo Maria. And the Peruvian National Research and Promotion Institute. It will provide credit for agricultural inputs. It has components for road maintenance and improvement, marketing improvement, potable water and environmental sanitation and a variety of other services needed to improve productivity.

Present production patterns include rice, corn, plantains, cocao, citrus, coffee, livestock, palm oil, tea, and forest products. Initially we do not expect any dramatic changes in the kinds of food crops being grown. Most of the coca being grown in the valley is not being grown on good agricultural land but on the steep hillsides along the margins of the valley which mostly are not suited to agriculture and should be allowed to go back to bush.

The thrust of the project is to improve the existing agriculture so that the farmers in the good agricultural areas do not find it expedient to grow coca and to provide additional opportunities for employment while the enforcement effort closes down the illegal coca growing and destroys the plants. Land classification studies in the valley have shown that the area has limited potential in terms of agricultural productivity. The services to be provided under the project will assist in maximizing that limited potential.

However, over time it is possible that the research effort may yield results that could show a significantly improved income in the area. The principal risk in a project of this sort is that the agricultural services being provided will only serve to improve the productivity of the illegal crop. For this reason we have made it clear to the Peruvian Government that the continuance of AID assistance depends upon the mobilization and maintenance by the Government of an effective coca eradication program.

In closing I would like to emphasize one more factor which effects the development of AID projects to assist in narcotics suppression activities. AID development projects must meet a number of development tests which may or may not coincide with the optimum project designed for narcotics suppression purposes. For example, development projects must show a positive cost-benefit ratio. They must take into account the environmental impact. They must benefit needy people. We think that in the case of the Upper Huallaga these considerations have been satisfactorily met.

I believe that this is a good example of how in appropriate cases we can work together with the narcotic enforcement objective.

It is not part of the statement, but I would like to emphasize that there has been a lot of discussion about crop substitution here this morning and I think that we should be very careful about this. I think my statement shows that most of the coca is not being grown on agricultural land. When we talk about crop substitution, we are not talking about these people who are growing coca on these steep hillsides planting some other crop.

What we are talking about is trying to stimulate a viable agricultural economy in this region where it is possible. But in many areas where coca is grown, we are not talking about agricultural substitution because it is not going to be profitable to grow any other crops on those lands. I think one needs to approach this with caution. Indeed, in certain cases such as this, a substitution or agricultural development project can really pay big dividends, but it certainly depends upon the enforcement effort for its viability.

Thank you.

Chairman ROTH. In line with your last comment, assuming that it is impossible to use substitution of another crop, do you see any other way or means that AID could be used to get fuller cooperation?

Mr. WEBER. Basically, what we are talking about, Mr. Chairman, is building a viable economy in an area like this, that provides alternative means of employment to people. If you can get a vigorous economy going, it seems to me a lot of other things come with it.

Public services come with it. Viable municipal government, viable police activity, all of these things over time can make a big difference. In the particular case of the Huallaga Valley, it is very likely that there will be substantial private investment flowing into this area. The cases that are already in evidence are investment in palm oil plantations which should be a viable industry in this area of Peru. There are at least four different groups who are in various stages of moving into the area.

I think once the law and order is established and the reign of the traffickers is destroyed, that there are very definite possibilities.

Chairman ROTH. Long term, I can see the thrust of what you are saying. I am not sure short term that I feel that it will have direct benefit.

Let me ask you, Mr. Linnemann, there has been a great deal of discussion about the effectiveness of crop eradication. Could you give us any rough estimates on how much eradication costs per acre for marihuana, cocaine?

Mr. LINNEMANN. Senator, that is a very difficult question to answer. Going back to what Ambassador Boyatt indicated we have spent approximately $100 million since about 1973 in Mexico. The total cost of that program was, however, much more. Mexico contributed just for the eradication portion alone and enforcement approximately $200 to $300 million in what I call alternative costs, cost of fuel, personnel, etc. They also purchased all the herbicides.

When you move into some of the lesser developed countries, the United States would bear very much more of that cost proportion. So it would be somewhat higher. We still maintain that eradication itself is the most cost beneficial method to stop the drugs from coming into this country. First, I believe my colleagues in the Department of Justice would agree, that enforcement alone cannot do the job. Otherwise, we would have solved the problem here domestically and not have to go overseas.

When you look at the huge amounts of corruption that go on, eradication is a fairly antiseptic, surgical way of dealing with that problem. You kill the plant, the plant cannot bribe, cannot walk away, and cannot corrupt. Also the eradication efforts take on different approaches. For instance, marihuana is very much subject to aerial eradication, particularly in Colombia. The coca bush, however, requires manual eradication where you go in and you cut the coca bush about 3 inches off the ground, dab it with, let's say, 2-4-D which is a herbicide and diesel oil which prohibits the leaf from growing back.

If you just cut it off, you have gone through a gigantic pruning exercise from our research. It answers your question but it doesn't answer your question. We just don't have statistics on exactly what it would cost by acre.

Chairman ROTH. How does INM respond to the displacement theory of eradication? Regardless of what fields are eradicated, growers and traffickers merely move somewhere else.

Mr. LINNEMANN. From our viewpoint it is how you look at the glass, is it half full or half empty? Certainly our current philosophy is following a very disruptive strategy, that is, to disrupt major traffickers, to take areas out of production. Since we have a unlimited supply situation, that production is likely to move somewhere else. But looking back on history, we saw the breaking of the French Connection in the early 1970's, along with the Turkish ban on opium. It took approximately 2 to 3 years for additional production to creep up in Mexico.

By 1975, Mexico represented approximately 90 percent of the heroin supply in this country. With the efforts in Mexico, by that government and our own, we started to see other areas start to crop up particularly in Southwest Asia and in the Golden Triangle.

So following the disruptive strategy it seems to me that it gains you time. It gains you time to solve the problem.

Short of that, we saw no other alternative.

Chairman ROTH. Senator Nunn?

Senator NUNN. Mr. Chairman, we have got a vote on and I have got many questions I would like to ask, but I would like to submit them for the record, particularly to Mr. Linnemann. I would like to have them back because I think your office is one of the most important without any doubt in trying to bring about some changes.

[The questions of Senator Nunn and the answers thereto are submitted for the record as follows:]

DEPARTMENT OF STATE
Washington, D.C. 20520

JAN 8 1982

Dear Mr. Chairman:

Enclosed are responses to the questions submitted in your letter of December 16 to the Bureau of International Narcotics Matters.

The Department appreciates the opportunity to exchange ideas with you and your colleagues concerning international narcotics control efforts. We value highly the spirit of cooperation between your Committee and the State Department in this important endeavor. Continuing contacts with your Members and Staff are welcomed.

Yours sincerely,

Richard Fairbanks
Assistant Secretary for
Congressional Relations

Enclosures:

Responses to written questions.

The Honorable
William V. Roth, Jr.,
Chairman,
Committee on Governmental Affairs,
United States Senate.

Q. We understand that beyond the purely diplomatic sphere, INM personnel also provide advice and technical assistance to foreign narcotics control agencies. Is this correct?

A. In six countries where we have significant narcotics control programs INM has a limited number of personnel assigned to the U.S. Embassies in so-called Narcotics Assistance Units. Their responsibilities revolve primarily around coordinating the development and implementation of narcotics control programs with the host government. In other countries, where we have smaller programs, the liaison and coordinating task is handled by an Embassy staff person designated by the Ambassador to coordinate narcotics affairs in addition to his or her other assigned duties. Periodically, INM staff personnel from Washington or embassies overseas are assigned temporary duty to other countries for program review and/or technical assistance. INM personnel do provide advice and technical assistance to host government officials in the field of narcotics control program development and implementation, particularly in reference to technical support involving aviation and telecommunications. Additionally, INM provides funding for technical training programs conducted both in the U.S. and overseas by the Drug Enforcement Administration and the U.S. Customs Service for foreign government narcotics control personnel.

Q. The mission of INM and DEA overseas seems to overlap. Who is responsible for coordinating and supervising the efforts of the two agencies and who settles disputes, should they occur?

A. As in other areas of foreign relations, the Department of State has overall coordinating responsibility among USG agencies which have anti-narcotics interests and/or activities in foreign countries. In the country itself, the U.S. Ambassador has the overall authority. INM's and DEA's mission's overseas normally do not conflict, but rather complement one another. INM's objectives are to encourage and assist foreign governments to develop a broad spectrum of anti-narcotics activities, ranging from crop substitution through addict treatment and rehabilitation to development and enforcement of narcotics control laws. Toward this end, INM provides advisory services, technical assistance and commodity support. DEA overseas personnel are U.S. Embassy assets in providing advisory services and technical assistance to the host government, primarily on narcotics law enforcement programs which will curtail the flow of illicit drugs into the U.S. A major aspect of the DEA responsibility is to support the host government in arrest and apprehension of illicit traffickers and the seizure of illicit narcotics.

Q. Geographically speaking, what are the areas of priority for INM funding and what rationale is used in arriving at these priorities?

A. Our geographical areas of priority are basically the major narcotics producing areas of the world: Latin America, Southeast Asia and Southwest Asia. Within these areas, a limited number of key countries receive priority funding, based on both their importance as sources of drugs and their willingness to cooperate with the United States in tackling the problem. Among these key countries are Mexico, Colombia, Peru, and Bolivia (pending the political commitment of Bolivia) in Latin America; Burma and Thailand in Southeast Asia; and Pakistan in Southwest Asia.

Q. Considering the degree of isolation of the opium growing areas, particularly Burma, just how effective can we expect crop substitution programs to be?

A. Given limited government control in remote opium growing areas of Burma, crop substitution efforts are clearly a long-term proposition. Combined with successful eradication and anti-insurgent actions, however, such efforts can contribute to expansion of government controlled areas and eventually to significantly reduced opium production.

Q. What type of assistance is available for the Burmese to increase their road building program? Has the State Department discussed this with the Burmese and AID?

A. Non-U.S. donors, such as the Asian Development Bank, have indicated an interest in various road building proposals. AID is prepared to consider road construction as an integral part of specific area development projects, but would prefer to focus its resoures on other aspects of development.

Q. We've heard some complaints from foreign officials charged with narcotics enforcement that over-exuberance of American consular personnel in seeking relief for arrested Americans paints a two-sided picture. On one hand, we condone and encourage strict enforcement in the host country while on the other hand we try to bail out arrested Americans. Can something be done to resolve this inconsistency?

A. The Department of State has a well-established policy of assistance to, and active participation with foreign nations in combatting international narcotics production and trafficking. The Department of State also has a clear responsibility, dating back to the very inception of our consular service, to provide protection and assistance to private Americans in difficulty abroad, including those under arrest. The Department does not consider our responsibility towards private Americans to be in conflict in any way with our position on narcotics enforcement. When an American citizen is arrested abroad, we have a responsibility to gain immediate consular access to the arrested American; to make certain he understands the legal system of the country in which he finds himself in difficulty; to ensure that he has not been physically or mentally abused by the arresting government, and if he has, to make every effort to prevent further mistreatment. We also have the responsibility of assisting him in locating and obtaining legal representation; of visiting him regularly throughout his incarceration, and of seeing that his case is handled appropriately in accordance with the laws of the host country.

As you can see from the above, our consular officers play an active role in assisting Americans arrested abroad. It is not, however, the responsibility of our consular officer to arbitrarily secure the release of arrested Americans. Our consular officers have no funds with which to pay fines or post bail even on a loan basis and, in fact, are strictly forbidden to unduly interfere with the judical process of a sovereign nation. In summary we support, and in some ways actively assist, foreign governments in arresting narcotics violators, including U.S. citizens. We do not, however, condone improper treatment of any American during or following such arrest.

Q. Does the Privacy Act in any way hinder our efforts with respect to the dissemination of information to interested parties regarding Americans arrested overseas for drug violations?

A. We do not believe that the Privacy Act unduly hinders the dissemination of information to interested law enforcement agencies, either U.S. or foreign, who are involved in international efforts to combat illegal narcotics. The Privacy Act merely requires that this information be disseminated in a way that protects the rights of the American citizen involved. For example, the Act permits a U.S. law enforcement official to review the file of an American arrested abroad. The Act does require that the requesting agency indicate that the file is needed in connection with legitimate law enforcement activity, and further requires that record of such review be entered in the individual's file.

Q. Has the State Department developed a global policy with regard to narcotics matters?

A. The Department has developed the international elements of an Administration strategy for narcotics control, the basic goal of which is to reduce the availability of drugs in the U.S. The most effective way to accomplish this is to reduce the production of illicit narcotics and to interdict trafficking as close to the source as possible. Supply reduction should be a priority item in our bilateral agendas with problem countries. Wherever possible, narcotic crops are to be eradicated, when necessary, with the appropriate assistance of the U.S., other industrialized states, or international organizations. Greater resources should be allocated to provide improved strategic and tactical intelligence collection and dissemination, while interdiction of trafficking should be improved. As well, the vulnerable points of trafficking organizations should be identified and exploited. Demand reduction programs are to be promoted in production and transit countries, as well as in other industrialized societies, in order to encourage their cooperation in international narcotics control.

Q. Has the U.S. embarked on a crop substitution program apart from its interest in the UNFDAC?

A. INM has helped to fund pilot crop substitution/income replacement efforts in Thailand, Bolivia, Peru, Pakistan and Burma. In Thailand these efforts have led to the Mae Chaem Watershed Development Project funded by USAID. This project, with AID funding of $10 million, aims at self-sufficiency in rice production and increased cash incomes without opium poppy cultivation. In Peru, the INM-funded pilot efforts have led to the AID-funded Upper Huallaga Area Development Project. In FY-81 AID obligated $18 million for this project which includes marketing infrastructure, credit, extension, and road improvements in an area that has been a major source of coca.

In Burma, Bolivia, and Pakistan INM has funded pilot crop substitution-income replacement projects in areas where illicit narcotic crops are grown. Eventually these efforts may lead to full scale integrated rural development projects.

Q. What is the U.S. contribution to the UNFDAC?

A. During the period 1971-81, the U.S. provided around 60 per cent of the Fund's total contributions, or $29,420,000 million. In recent years other donors, notably the FRG, Sweden, Norway, Australia, and Japan have increased their contributions to the Fund, and the U.S. share has become relatively less sizeable. The U.S. contribution from FY-81 funds was $2.15 million.

Q. Why doesn't the U.S. have mutual assistance and extradition treaties with a great number of countries involved in narcotics trafficking?

A. The U.S. has extradition treaties with 99 countries, some of which are important centers for narcotics production and trafficking. In the case of Turkey, we have a recent extradition and mutual legal assistance treaty and the Senate has ratified similar treaties with the Netherlands and Colombia. The Departments of Justice and State have cooperated closely in negotiating such agreements and remain interested in this area. Mutual legal assistance treaties are still few, because this is a new area and considerable time is required for negotiations. Additionally, it is difficult to establish legal linkages between our common law system and the differing legal systems of other countries (e.g., the Napoleonic Code).

Q. What has the State Department done to crack the veil of secrecy that protects the financial affairs of narcotics traffickers in tax haven countries?

A. The Departments of State and Justice have raised the issue of financial secrecy in countries where this has hampered law enforcement efforts, notably in the Caribbean area. In the case of Switzerland, for example, we have a treaty that allows access to financial records if there is evidence that the funds are derived from illegal activities.

Q. Would you provide further details on the meetings which you attended in London concerning ship boarding in the Cayman Islands and the Bahamas and their effect on U.S. law enforcement? What is the factual basis for the view that the Cayman bank secrecy laws are not subject to English law?

A. The London meetings resulted successfully in a recent U.S.-U.K. agreement governing the inspection of British-flag vessels suspected of the smuggling of narcotics. Special instructions have now been distributed to U.S. Coast Guard vessels.

Although the Cayman Islands are a colony of the U.K., the latter state is only responsible for the areas of defense and foreign affairs. The Cayman Islands' banking secrecy laws are the domestic affair of that government.

Q. Has the State Department thought about organizing working groups with DEA and the Department of Justice's International Affairs Division to compose and propose new and innovative mutual assistance treaties?

A. There is no formal working group, but the Departments of Justice and State already cooperate very closely in this area. For example, with funding from INM, a Justice Department official attended a meeting of Latin American Ministers of Justice in Lima, Peru, last July. Some valuable legal suggestions for narcotic-control were included in the resolution passed by the participants.

Q. What role is the State Department playing in trying to expand international cooperation in applying innovative financial techniques to drug cases where the money involved crosses national borders?

A. As noted previously, the Department and other concerned USG agencies have been actively pursuing extradition and mutual legal assistance treaties with various foreign governments. It should be noted, however, that considerable time is required for such negotiations, as many of the issues involved are novel.

Q. Methaqualone is posing a severe problem in the United States.

a) What actions, if any, are being taken by the State Department in the development of acceptable import-export procedures to control the movement of scheduled substances, particularly where the U.S. is seeking stricter controls for foreign manufacturers?

A. Much of the methaqualone that has entered the U.S. market illegally from the Caribbean has originated with licit firms in Europe, notably in the FRG, Hungary, Switzerland, and Austria. DEA and the Department have cooperated closely in diplomatic negotiations with these governments, urging them to control production and close loopholes in their export controls. Department and DEA representatives in Colombia have also worked together in this enterprise, and have assisted Colombian authorities in strengthening their law enforcement actions, notably against clandestine drug labs. These efforts and Colombia's ban on methaqualone imports are expected to reduce the trafficking of this substance through Colombia.

b) What steps is the U.S. taking to obtain international agreements concerning restrictions on the production and distribution of precursor chemicals, such as acetic anhydride and other chemicals used to make illegal drugs?

A. The DEA's voluntary watch program for trade in these precursor chemicals has been described in international fora and a resolution on this subject is under consideration for the February 1982 meeting of the Commission on Narcotic Drugs. Because of the widespread industrial use of such precursors as acetic anhydride, obligatory controls would be very difficult to enforce.

Q. Would you briefly tell this Subcommittee how the State Department took over the narcotic related functions of AID? What has the State Department, Bureau of International Narcotics Matters (INM), been able to accomplish that AID did not when AID had the responsibilities?

A. On October 1, 1978, the Bureau of International Narcotics Matters was created within the Department of State to manage the total policy and program responsibility for the United States government international narcotics control efforts. In the fall of 1973, the responsibility for management of the Foreign Assistance Act expenditures under the International Narcotics control program was transferred from AID to the Department of State.

Between 1973 and 1978, the broad duties of the senior adviser for Narcotics matters in the Department of State included such functions as oversight of Cabinet Committee for International Narcotics Control activities, coordination of narcotics control activities of all involved U.S. agencies, principal liaison and adviser on narcotics for OMB and other U.S. domestic agencies, creator of U.S. policy in narcotics matters and program adviser for ambassadors and foreign government officials. During these years, however, the funds continued to be appropriated in the AID budget and essentially AID retained the responsibility for operating the narcotics program. In other words, there was a bifurcation or a dichotomy between the policy-planning efforts and the implementation-administration of program efforts.

During this same time frame, and largely as a result of the foreign assistance act of 1973, AID was presented with a new mandate to concentrate its resources and efforts on a few major long term problems facing developing nations throughout the world. Congress in effect reemphasized its intent that AID concentrate on "new directions", i.e. agriculture, rural development, nutrition, population planning and health, and education, to assure direct, beneficial impact on the poor majority in the developing nations. During the years 1973 to 1978, AID was encouraged to avoid diversion of its energies and resources from these principal efforts. The result was that the basic authority for the narcotics control program resided in the Department of State with de facto program implementation in AID who, on the other hand, was being instructed to divert resources away from the narcotics area. Essentially the bifurcation of responsibility for the policy and program administration between State and AID inevitably gave rise to administrative tensions between cooperating staffs and led to delays in accomplishment.

Therefore, to avoid administrative tensions, delays in accomplishments, the dichotomy between policy formulation and administration, and diffusion of resources resulting from AID's shifting mandate, the Bureau of International Narcotics Matters was created to be responsible for both policy and administration of resources appropriated under the Foreign Assistance Act. Since 1978, the Bureau as part of the State Department foreign policy making apparatus, has been successful in institutionalizing the program within the structure of the foreign service and bringing to the attention of the highest levels of the foreign government (both bilaterally and multilaterally) the importance of narcotics control as a U.S. government objective. In effect, the ability to establish effective diplomatic initiatives has been enhanced since the transfer of responsibilities from AID to the State Department and problems of coordination within the State Department policy apparatus have been minimized.

Q. Is the State Department trying to convince more governments to undertake crop destruction?

A. INM believes that the eradication of illicit narcotics crops is the most effective method of reducing the supply of these substances and can be carried out with no unacceptable harm to the environment. INM has provided assistance to the Government of Mexico in its campaign to eradicate opium poppies. Because the Percy amendment, which had prohibited USG assistance to foreign governments with herbicidal marihuana eradication has now been lifted, eradication programs directed against marijuana will now be discussed with certain governments.

Q. U. S. bilateral programs have proved to be an effective means of reducing the amount of illicit narcotics available in the U. S.
a) Will the current funding level of INM be sufficient to maintain our ongoing programs?
b) From 1977-1981 has the INM budget increased on decreased?

A. a) Although high priority on going programs will be maintained at current funding levels, the current appropriation is not sufficient to conduct programs at an optimum level. The bureau has been required to shift nearly 30 percent of funds from our worldwide training program to support higher priority country program efforts, e.g., Mexico. We have also been forced to reduce by approximately one-third our voluntary participation in the United Nations Fund for Drug Abuse (UNFDAC).

b) From 1978 through 1981, the bureau received appropriations of nearly the same level each year. This, in effect, constitutes a budget decrease because we have received no budget considerations for inflationary rises.

Q. We hear that the crop substitution program has a great deal of recidivism and that Far East hill tribes grow opium poppies side-by-side with substitute crops to make eradication more difficult. Is this accurate?

A. Since opium poppies are an annual crop, acreage and production can vary greatly from year to year. Cropping patterns also vary from one area to another. In some areas poppies are grown in close proximity or even intermingled with food crops. This may be for more intensive use of the land, or to mask the presence of the illicit crop.

Q. Do you have any figures on the success or failure of the crop substitution program?

A. We have no reliable figures on the overall success or failure of crop substitution programs. Apart from that successfully accomplished in Turkey, other programs are at too early a stage to evaluate for results. The pilot programs done by UNFDAC in Pakistan and Thailand are now at the point where results are anticipated. Their overall impact will, however, be difficult to measure since in areas and at times when opium production has decreased, it has been in conjunction with enforcement efforts by the authorities, or in direct response to economic factors.

Q. Now that the Posse Comitatus amendment permitting military assistance in narcotics matters is law, what role will the State Department play?

A. The recently enacted Posse Comitatus amendments remove certain restrictions and ambiguities that have hampered cooperation between military authorities and civilian law enforcement officials. These amendments will enable the U.S. armed forces to furnish information, lend equipment and facilities, and provide training and expert advice to civilian law enforcement officials. This cooperation is expected to increase the effectiveness of law enforcement activities, but the role of the Department of State is not expected to be affected significantly.

Q. Does the State Department keep figures dealing with recidivism flowing from its education and medical programs?

A. The Department of State provides direct funding to only one treatment system. This is the Bangkok Metropolitan Health Department (BMHD) system of detoxification clinics. By their very nature, these are short-term detoxification outpatient clinics with a minimum of counseling and aftercare available at present. They represent an attempt to provide some alternative for the addict, but at the time that they were designed it was expected that recidivism rates would be high. It is estimated that approximately 75 percent of the clients in treatment at a given point in time have been in treatment previously. Actual recidivism rates, while not available from statistically-sound followup studies, are probably much higher.

In Malaysia, INM is providing limited technical assistance in the form of training to the Ministry of Social Welfare and to the Prisons Department. The prisons program is undertaking a long-term effort to develop a treatment and aftercare capability for the large numbers of prisoners who have histories of addiction. The ongoing program is not yet underway and we do not yet have estimates of the recidivism for prisons.

Q. Has the State Department done any study to determine the economic effect the narcotics business has on the U.S. economy, our balance of trade, our tax base, or foreign investment in the U.S.?

A. There are reports from some of our embassies about the impact of drug production and trafficking in those nations, which essentially include estimates on flows of funds to this country. The Departments of Treasury and Justice have performed studies of the economic impact of drug trafficking on the domestic economy, but State has not.

Q. In 1971, Congress amended Section 620 of the Foreign Assistance Act which provided for suspension of economic, military and other assistance to any country that fails to take steps to prevent narcotic drugs produced or processed in such country from being illegally shipped to the United States.

a) Have the provisions of this Act ever been applied?
b) If not, why not?
c) Do you think the Act needs to be further modified to include countries that are being utilized as financial havens for narcotics traffickers?
d) How about those countries that have been identified as "transshipment" countries?

A. (a) and (b): Section 481 (a) of the Foreign Assistance Act of 1961, as amended, provides for the suspension of economic, military and other assistance to any country which fails to take adequate steps to prevent narcotic drugs produced or processed in that country from being illegally shipped to the U.S. While this provision has been informally applied to Bolivia, it has not been specifically invoked against any country for a variety of policy reasons. Some countries that might be considered to have taken inadequate measures to control drug trafficking receive little or no assistance from the United States. At present, such countries include Iran, Afghanistan and Laos. Other producing and transiting countries to which we provide assistance generally conform with international treaties regarding narcotics trafficking and attempt to take the necessary enforcement action within their limited resources to control the problem. Curtailing assistance to countries making good-faith efforts to control narcotics trafficking appears more likely to worsen than to remedy the problem.

(c) and (d): While the Act could be modified to include those countries utilized as financial havens or those identified only as "transshipment" countries, the Department believes, for the reasons cited above, that bilateral cooperation will generally be more effective in curtailing the traffic and production than denial of U.S. economic, military or other assistance.

Q. We have received testimony that the acquisition of C-130 aircraft by the Burmese would be very beneficial in their anti-narcotics program. What is the position of the State Department on this and what, if any, studies have been completed on the matter?

A. The Department has considered the desirability of providing C-130 aircraft to the Burmese. The INM aviation advisor expects to conduct a survey of Burmese Air Force needs and use of aircraft early in 1982, following up on a visit to Rangoon in October, 1981. Provision of C-130's at this time would probably require use of FMS funds, which in turn would require raising the world-wide priority accorded the Burmese Air Force.

Senator NUNN. Just one question: Your budget I understand has 76 professionals; is that right?

Mr. LINNEMANN. Yes, sir; that is professional and clerical staffs.

[At this point, Senator Roth withdrew from the hearing room.]

Senator NUNN. How many of those would be professionals?

Mr. LINNEMANN. Approximately three-quarters.

Senator NUNN. There would be about 60 professionals?

Mr. LINNEMANN. Yes, sir.

Senator NUNN. My understanding, I don't have the breakdown on the 60 professionals, there are 40 in headquarters in your overall staff and 35 are out in the field; is that a correct proportion?

Mr. LINNEMANN. It is augmented somewhat, Senator, in that we have much more flexibility in the field by hiring what we call personal services contractors, people with very technical skills, specialized skills, and we augment our professional staff with those individuals in the field as it is required. While you are talking about our budget, I might add I guess the Senate right now will be taking up the President's request for $36 million for our particular appropriations and the Appropriations Committee will be recommending to the floor a small reduction. So it seems to me it is difficult for us even to protect the small amount of resources that we have for this very serious problem.

Senator NUNN. Do you have any authority when there is a disagreement between agencies or lack of coordination between the CIA and the DEA, between the FBI and DEA, or between any of the agencies involved in drug enforcement, immigration, and so forth? Do you have any broad jurisdiction to try to iron out jurisdictional disputes?

Mr. LINNEMANN. In essence we advise the Ambassador and we have been very active in trying to bring together the various elements of the intelligence community. I think it is fair to say the cooperation you can always use more of. We have been working on the problem and I think the cooperation today is better than it has ever been.

Senator NUNN. What do you think, what would be your personal view of having a White House counselor that would have access to the President to be able to iron out difficulties between the agencies in the drug field?

Mr. LINNEMANN. I would have to think about that. I am not sure that there are that many difficulties between the agencies, sir. I think that in the overseas arena, that the State Department does perform a very active and very effective coordinating role in addition to the programmatic role. Domestically, I think clearly the Department of Justice is the lead agency through DEA in law enforcement activities. Given the cooperation of the principals group, which meets regularly, I am not sure. I just don't see that many jurisdictional disputes.

Senator NUNN. How long have you been in this job?

Mr. LINNEMANN. In the State Department, in 1977 and before that 1974 OMB in Federal drug management.

Senator NUNN. State Department drug management since 1977?

Mr. LINNEMANN. Yes, before that OMB in Federal drug management for policy coordination since 1974.

Senator NUNN. We have run into an awful lot of coordination problems in our investigation for several years. We think that there are very significant problems in this area.

The chairman I am sure is coming back. I would assume he will want you to remain. I guess we can declare a recess for about 5 or 10 minutes and we will be right back.

[Brief recess.]

[Members of the subcommittee present at the time of recess: Senators Cohen and Nunn.]

[Member present after the taking of recess: Senator Roth.]

Mr. WEILAND. Mr. Linnemann, I have one or two questions for you.

The subcommittee has heard evidence relating to the financial aspects of trafficking. My question to you is: Has your office worked with other offices of the State Department in attempting to see if we can do something about the offshore banking situation and the financial aspects of trafficking?

Mr. LINNEMANN. Not only have we worked with other offices within State, but we have worked with the other agencies, including the IRS, FBI, DEA, Comptroller of the Currency, U.S. Customs, and others.

The financial transactions we believe is largely a domestic problem, given the predominance of the transactions taking place in the United States; a report of the $80 to $100 billion figure. That money then is either put into legitimate or illegitimate business or goes offshore. We have coordinated and cooperated with the other agencies in trying to determine exactly how that is done, where it goes, and then trying to develop as a result of that a series of mutual assistance treaties, and discussions on a bilateral level with the governments of the countries involved.

Last year, for instance, I had two trips to London and I discussed the banking issue and vessel boarding. We had just concluded treaties with Colombia and the Netherlands on mutual assistance which I believe is before the Senate for ratification.

We have a treaty with the Swiss in the same regard and we are starting negotiations on the same thing with the Italians. It is a very technical field. It is a very tough field to penetrate.

If you look at our own banking laws here, you have bank secrecy laws, and so forth, that are an impediment to the investigators. Other countries have the same types of things. You can essentially move $1 million in wire transfers around the world on a tickertape without being able to trace it.

In some ways, our own laws are major impediments.

Mr. WEILAND. When you were in London, did you discuss the situation with respect to the Cayman Islands and its bank secrecy laws?

Mr. LINNEMANN. Yes, sir, as well as Nassau, Bahamas.

Mr. WEILAND. Did you receive any indication of willingness to cooperate on the part of the British authorities in attempting to get their colony to loosen its bank secrecy laws?

Mr. LINNEMANN. We had a willingness to cooperate, but it did not go as far as a willingness to change the laws because I believe that in the case of the Grand Caymans they have a somewhat independent process in setting their own bank secrecy laws. They are not subject to English law in that regard; it is up to their own council.

Chairman ROTH. Thank you very much for being here today.

Our final witness is Mr. Walt Sears of DEA.

Please raise your right hand.

Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SEARS. I do.

TESTIMONY OF WALT SEARS, DEA

Chairman ROTH. Please be seated. I appreciate your waiting. It is late in the morning. For that reason I would ask that you summarize what you have to say.

Please proceed.

Mr. SEARS. Yes, sir.

First, I would like to ask the Senator's indulgence.

I seem to be having some bug in my chest and sinuses, so if I start coughing, be assured that I am not necessarily in the act of expiring. [Laughter.]

Chairman ROTH. You are not alone these days.

Mr. SEARS. Senator, at this point in time, this country is on the leading edge of kind of a horticultural revolution as it applies to marihuana cultivation for commercial purposes.

This manifestation is both in terms of quality of marihuana, and the quantity. From the standpoint of quality, the cultivation process which has produced an extremely high grade marihuana has brought through American knowhow, the United States very much into the commercial cultivation market.

I have here two marihuana stalks, you cannot properly call them a marihuana bush anymore. They are more like a tree. They are not necessary the largest. They would represent plants about 10 feet tall. Through the cultivation process that is used, it will produce somewhere between 3 to 5 pounds of extremely high-grade sinsemilla marihuana.

By high-grade, I am referring to a THC content which is in excess of 6 percent as compared, for example, to the best Colombian marihuana which will seldom reach 3 percent.

Recently, we have had assays run that have confirmed a THC content in excess of 11 percent for sinsemilla marihuana. The quality of the marihuana is not only significant from a commercial merchandising standpoint, but is also significant from the standpoint that in virtually all of the scientific studies that are being conducted, the health hazards or the effects on the body of marihuana abuse are reported as being dose related; that is, the higher the THC content the more dramatic the effects on the body. So, the THC content is an extremely significant manifestation.

In terms of quantity, the commercial cultivation of marihuana, this high-grade product commenced in a large scale in California and Hawaii and has now proliferated throughout the United States. Commencing 2 years ago, DEA entered into a joint program of eradication, and suppression of marihuana growth in California and Hawaii.

That is continuing at the present time. Resources by both DEA and the States are being applied to it.

Additionally commencing this year we took it upon ourselves to try to expand the program to the rest of those States where significant commercial marihuana growth was being experienced.

I think we are on the lead edge of this phenomenon because at this point I don't think we are necessarily behind the power curve as far as trying to get on top of and suppress commercial cultivation in the United States.

We are saying that the domestic product represents somewhere between 7 and 10 percent of the total marihuana consumption here in the United States.

That leads us to believe that we are not as yet inundated by this high-grade product. But we know enough after having conducted surveys this year that unless we get on top of it and move in a very positive fashion, that the potential for proliferation is very great.

To meet this threat, DEA has entered into cooperative programs with a number of States, so far this year, and are programed to do so with a number of other States next year.

The strategy that we have used is, first of all, to attempt to determine where the principal areas of cultivation are in this country. We have found that certainly the Sun Belt States, the Southeastern part of our country, the Midwest and Southwestern part of the country are generally significant in this cultivation.

Our cooperative relationship with the States from a DEA standpoint has been, within our resources, certainly to encourage their efforts and to contribute certain training, funding and certain investigative and air resources to help them to get the job done.

The nature of marihuana cultivation generally is such that it is in rural often economically depressed areas and with our agent force, some 1,900 agents, we have to rely upon a cooperative enterprise with the State and local officials in order to get the manpower necessary to actually go out and fund illicit marihuana fields and bring the resources to bear to destroy them.

We have been training law enforcement officers in aerial observer techniques so they can find marihuana fields, so they can accomplish the necessary legal activities necessary to obtain search warrants in their State and then to conduct raids in order to find and destroy the marihuana crop and to arrest and prosecute those individuals who are identified with it.

To date, in addition to California, Hawaii, and southern Oregon, this year we have cooperative programs going with the States of Kentucky, Missouri, Georgia, and Florida.

Next year, we will see this expanding, assuming the resources are available to us, to a number of other States.

With that, sir, I think I will end my summary and open it up to any questions that you might have.

Chairman ROTH. You mentioned that you spent considerable time trying to identify the States?

Mr. SEARS. Yes, sir.

Chairman ROTH. I wonder if you would submit for the record, written record, those States and estimates of what they are supplying. Is that available?

Mr. SEARS. Yes, sir. It is. We tried not to elaborate too much on exactly which States we have in mind, in order not to give the cultivators any more information than we have to. I will be happy to provide whatever information.

Chairman ROTH. That can be kept sealed.

Mr. SEARS. Yes, sir.

[The information referred to was not received by the subcommittee at the time of printing.]

Chairman ROTH. Why aren't the States doing more on their own?

Mr. SEARS. Sir, I think this is a fairly recent phenomenon in terms of their recognition of the problem as it was with our recognition of the problem. The fact is we just didn't realize, and I don't think the States realized exactly what the extent of cultivation was in their States.

In every case, where that knowledge has become known to them, and in many cases they came to that recognition themselves, the response by law enforcement and government officials in those States has been one of extreme concern and one of a desire to get on top of this problem, and do something about it.

Chairman ROTH. It is my understanding that California and Hawaii are the two largest producers?

Mr. SEARS. Historically they have been. For the last 3 years, they have had very aggressive programs going. Looking at the statistics from California this year, I think we are seeing that we may have turned a corner in California and perhaps in Hawaii also. Obviously the desired end is that we want to see this activity decline.

Chairman ROTH. What authority do we have from the Federal level or do we have to rely on States?

Can Federal agents go in and destroy crops?

Mr. SEARS. Yes, sir. We have that authority. But we don't really have the manpower. So this cooperative arrangement has really worked out very advantageously for all of us. The county and the State have the manpower and many of the resources to do the job but in some cases they are just not budgeted to do certain aspects of it. From an investigative standpoint, they sometimes lack certain expertise in that area.

Additionally, we often contribute aircraft to help fly over and find the fields.

Chairman ROTH. As a legal matter, if an agent sees marihuana being grown, do you have to go through the courts to destroy that or do you have a right to have the agents themselves go in and destroy it?

Mr. SEARS. It can be destroyed without warrant if it is found. However, it makes it more difficult if you don't get a warrant to then prosecute anyone that you can identify as being associated with that cultivation.

[At this point, Senator Nunn entered the hearing room.]

Mr. SEARS. Our method of operation is almost invariably to do all the things necessary generating an affidavit, obtaining the warrant, and so on to enter that land fully clothed with all the legal instruments we need.

Chairman ROTH. You mentioned in your testimony that locally grown marihuana, roughly amounts to 10 percent of the total?

Mr. SEARS. Between 8 and 10 percent.

Chairman ROTH. What kind of quantity is that?

Mr. SEARS. Really about all I can say is how much we have seen because we are at this point not very sure of how much there is. This year there have been in the neighborhood of three-quarters of a million plants seized. Again we are talking about high-grade marihuana, plants producing 3 to 5 pounds that will sell on the market for between $2,000 and $4,000 a pound; representing an illegal value of over $1 billion on the market.

For information, the estimates on the amount of illegal money made by the marihuana trade is between $19 billion and $23 billion in a year. That includes that amount which comes in from Colombia. That is the total market.

Certainly, it is a very high money market.

Chairman ROTH. Is it possible to get—what do you have to plant? Do you have seeds or seedlings? How is that distributed?

How can that be so readily available? Wouldn't it be possible to get at the source of the seedlings, the seeds, whatever it is?

Mr. SEARS. The seeds are very readily available, sir, and, generally, what they will do is plant the seeds in a greenhouse early in the year, perhaps in March and then when the plant gets 6 inches high and the weather warms up, they will plant the seedlings out in a field. Very often they will disperse them.

We are also seeing as we become more successful in California and in Hawaii, greater dispersion of the plots of plants. We are seeing them going to greenhouses. We are seeing a greater effort to camouflage. We are seeing boobytraps. Weapons are very, very much associated with the trade. In California this year so far they have seized over 350 weapons associated with this traffic.

Chairman ROTH. Who is distributing the seedlings or seeds?

How is that done and are you able to trace it to organized crime?

Do they have anything to do with it or just very widespread?

What is the distribution network?

Mr. SEARS. We haven't made any positive link between organized crime per se and the domestic marihuana cultivation problem. There appears to be in some cases kind of a loose-knit merchandising organization, say, centered around large cities where a distributor will in some cases set up a person to go into a remote area. They will provide him with the seeds, provide him with a certain amount of money to keep himself going, certain farm equipment and so on. He actually tends that crop for the period of time it takes to grow it.

It is a fairly labor-intensive exercise, growing sinsemilla marihuana.

Chairman ROTH. You mentioned in your earlier statements the high quality of the U.S. marihuana. Was this developed internally within the United States.

Are there those trying to provide a better grade of marihuana? Or is it just circumstance that we produce a high quality?

Mr. SEARS. I have not been able to determine where sinsemilla was first cultivated, but we think it was in Latin America. Sinsemilla is a Mexican word meaning "without seeds" and that refers to the cultivation process that creates the very high THC content.

Sinsemilla cultivation is a combination of three things. It is proper fertilization, pruning, they have a way of pruning so that the plant will bush out creating more flowering tops and thus a higher yield. Then at the critical point, the male plants are removed from the garden resulting in a number of female marihuana plants, who then exeude exhorbitant amounts of rosin which is very highly laced with THC in a desire to become fertilized.

This is where you get the extremely high, potent product.

Chairman ROTH. I understand there has been litigation to prevent surveillance from the air. Are you familiar with that?

Mr. SEARS. Yes. I am.

Chairman ROTH. Would you explain to the subcommittee?

Mr. SEARS. Yes, sir. There is litigation in the district court in Washington at the present time requesting the court to enjoin DEA from destroying marihuana crops through harvesting them. They claim this is in violation of the Environmental Protection Act, that it destroys the soil and so on. They are also trying to enjoin us from looking for marihuana crops by using aircraft or any of the other means that have been used.

Chairman ROTH. Are there any other tools—probably additional funds—but is there anything else that the Congress or this subcommittee could do to help eradication?

Mr. SEARS. I think there is some potential that the posse comitatus Act may be helpful. We haven't come up with any exotic way to find them that beats putting a knowledgeable trained observer in an aircraft, generally fixed wing but in some cases helicpoter, visually looking for the fields.

In many remote areas, it is very difficult for law enforcement personnel to get to the fields. It could be very beneficial were military helicopters, for example, made available to provide transportation to law enforcement officials into remote areas for the purpose of destroying marihuana fields.

Chairman ROTH. Senator Nunn?

Senator NUNN. Mr. Sears, do any of the States have spraying programs going on now?

Mr. SEARS. No, sir, not to my knowledge.

Senator NUNN. There is nothing in the law at the Federal level that would preclude that from taking place now; is there?

Mr. SEARS. There is nothing——

Senator NUNN. Domestically?

Mr. SEARS. No; there is nothing that would preclude a State within the constraints of its own environmental protection laws from doing so legally. There is nothing in the Federal law that would preclude it.

Senator NUNN. Are any of them in the process of thinking about that kind of language?

Mr. SEARS. Yes sir, it is under comtemplation by certain States.

Senator NUNN. I understand that Hawaii has an eradication, marihuana eradication program. Is that correct?

Mr. SEARS. Yes, sir, it does.

Senator NUNN. Does that involve spraying?

Mr. SEARS. No, sir, it doesn't. Actually, in Hawaii, spraying would really not be very efficient. The terrain in Hawaii is so forbidding and the size of the plots are so small that by the time you find a small plot of this product, it is more efficient to go in and destroy it manually than it would be to use herbicides.

Senator NUNN. Is that what they are doing?

Mr. SEARS. Yes.

Senator NUNN. Is it true they have used the National Guard in that?

Mr. SEARS. Yes; they are using helicopters through the National Guard and I think the State of Hawaii really deserves a lot of credit for the aggressive way that the State government has gone after this problem.

The National Guard provides helicopters, not only to find the marihuana, but also they have developed a way of inserting the personnel from the helicopter into the plot, so that they can destroy it right there.

Again, the terrain in Hawaii where this stuff is grown is very forbidding and even when you find it, unless you can sort of drop down on it, it can take you days or hours to get to it.

Senator NUNN. Any other States have this active a program or would you put Hawaii at the top of the list?

Mr. SEARS. I think Hawaii should go down really as being kind of a forerunner in this effort. Having said that, I would say that the State of California has become extremely active in the last 2 years and we have cooperated in that effort.

I think today the State of California has a very effective program.

Senator NUNN. They are not spraying?

Mr. SEARS. No, sir.

Senator NUNN. Do you believe that the repeal of the Percy amendment will have any effect in the United States on the question of whether we spray here?

Mr. SEARS. Yes, sir, I think so. This certainly will relieve a number of constraints that currently exist within the State governments as to the acceptability of utilizing herbicides to destroy marihuana.

Senator NUNN. Psychological climate rather than really legal, though. Right?

Mr. SEARS. Yes; that is correct.

Senator NUNN. Does the State of Georgia have an eradication program, an effective eradication program?

Mr. SEARS. Yes, sir, they do. We have a program underway with the State of Georgia at the present time that has been very active and very effective. We actually didn't get going in Georgia until midyear but we look toward next year to be geared up and really produce an effective program.

Senator NUNN. In what way? What is that eradication program?

Mr. SEARS. Essentially it is this—we held a school in Atlanta. Georgia authorities provided the training facility and the students. We provided aircraft and instructors. In this way we trained a number of their officers to act as aerial observers.

We then provided some aircraft to help them go out and find marihuana fields from the air. They then generated raid forces both from State and local county law enforcement authorities who went out and conducted the raids. This essentially is the basic formula that we are using today throughout the country.

Senator NUNN. Thank you, Mr. Chairman. Thank you, Mr. Sears.

Chairman ROTH. We appreciate your aid here. It may be that the subcommittee at a later date will want to hold further hearings on the domestic consideration. I appreciate your very excellent testimony today.

I have a letter just received from the Jamaican Embassy which will be included in the sealed record if there is no objection.

[The document referred to was marked "Exhibit No. 7," for reference and will be retained in the confidential files of the subcommittee.]

Chairman ROTH. With that, we will complete the hearing today. The subcommittee is in recess.

[Whereupon, at 12:45 p.m., the subcommittee was recessed.]

[Members present at the time of recess are Senators Nunn and Roth.]

INTERNATIONAL NARCOTICS TRAFFICKING

TUESDAY, NOVEMBER 17, 1981

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:33 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, under authority of Senate Resolution 361, dated March 5, 1980, Hon. Warren B. Rudman presiding.

Members of the subcommittee present: Warren B. Rudman, Republican, New Hampshire; Sam Nunn, Democrat, Georgia; and Lawton Chiles, Democrat, Florida.

Members of the professional staff present: S. Cass Weiland, chief counsel; Michael Eberhardt, deputy chief counsel; Marty Steinberg, chief counsel to the minority; and Katherine Bidden, chief clerk.

[Member of the subcommittee present at commencement of hearing: Senator Rudman.]

Senator RUDMAN. The subcommittee will be in order.

[The letter of authority follows:]

U.S. SENATE,
GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to rule 5 of the rules of procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the chairman, or any member of the subcommittee as designated by the chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on international narcotics trafficking on Tuesday, November 10; Thursday, November 12; Friday, November 13; Tuesday, November 17; and Wednesday November 18 1981.

WILLIAM V. ROTH, JR.,
Chairman,
SAM NUNN,
Ranking Minority Member.

Senator RUDMAN. This morning we are going to reconvene hearings begun by the Permanent Subcommittee on Investigations last week involved in an effort to study current patterns of drug trafficking.

Today we will concentrate on the trade's financial aspect. Because of a longstanding prior commitment, I do not believe Senator Roth will be with us this morning.

Our first witness will be Bud Mullen, Acting Director of the Drug Enforcement Administration.

We are delighted to have you here this morning, Mr. Mullen, and hope to gain insights into your expectations for the future.

I want to say at the outset that due to the inexorable movement of the appropriations process and due to a very important markup by the Defense Subcommittee on the Appropriations Committee, on which I serve, we may have to recess this hearing for brief periods this morning. I hope we don't have to recess it for a very long period.

As you probably know, Mr. Mullen, under the procedures of this particular subcommittee, we swear in all witnesses. So if you will please rise, I would like to administer the oath.

Do you swear the testimony you are about to give during the course of this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MULLEN. I do.

Senator RUDMAN. Please state your name, Mr. Mullen, for the record.

TESTIMONY OF FRANCIS M. MULLEN, JR., ACTING ADMINISTRATOR, DRUG ENFORCEMENT ADMINISTRATION

Mr. MULLEN. Francis M. Mullen, Jr., Acting Administrator, Drug Enforcement Administration.

Senator RUDMAN. Mr. Mullen, we have your full statement. We understand that you may be able to summarize that and your entire statement will appear in the record at this point.[1]

So you may proceed.

Mr. MULLEN. Thank you, Senator.

I do have an executive summary that will take somewhere around 10 and 12 minutes to present.

I am most pleased to be here as DEA's Acting Administrator to review for you several significant international trafficking situations and issues relating to control of this serious problem.

The work of the subcommittee over the past year culminating with these extensive hearings is very important. I hope that the body of work developed in these past 2 weeks will assist the Congress in understanding the enormity and ramifications of the international drug problem.

Drugs must be a part of our foreign policy. In DEA, we want to reverse the accelerating drug trafficking and abuse. We must focus on control of drugs at the source. DEA's mission is to immobilize major international trafficking cartels by insuring that the principals are incarcerated, the drugs seized, and the traffickers' assets removed.

Our goal is to make it prohibitively expensive, both personally and financially, for drug traffickers to operate. Overseas, from where the vast majority of drugs emanate, DEA activities are directed toward developing host country drug enforcement, intelligence, and training systems, so that, ultimately, officials in drug source and transit countries will have the expertise needed to utilize their own resources to suppress illicit drug production and trafficking in their regions.

I would like to take a moment to restate and to highlight some of the most significant trends that were discussed in detail last week by the DEA witnesses. The dynamics of the heroin market are in flux as the Golden Triangle of Southeast Asia once again is becoming a primary source of the opium which support heroin addiction in Southeast Asia, the United States, and in Europe.

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[1] See p. 562 for the prepared statement of Francis M. Mullen, Jr.

For the past several years, as a consequence of a diminished crop because of droughts and increased enforcement actions, there was a noticeable reduction in Southeast Asian heroin in the world market. However, intelligence reports now forecast that the most recent harvest was a bumper crop. Even after taking into account the inevitable stockpiling and internal consumption, it is conceivable that there will be as much as an additional 15 tons of heroin available to the world market.

[At this point Senator Chiles entered the hearing room.]

Mr. MULLEN. This is almost four times the volume of heroin consumed annually in the United States. It is expected that this increased heroin will enter and perhaps glut the international traffic and compete with Southwest Asian heroin for the European and North American markets.

Cocaine, marihuana, and dangerous drugs, particularly methaqualone, are also of grave concern to drug law enforcement and health officials. These drugs are generating billions of narco-dollars and are altering the economy in our country and wreaking havoc and undermining the economy and economic stability of South American nations where these drugs are cultivated, processed, and transshipped.

Farmers are planting marihuana and coca crops in place of needed food commodities. Drug cultivation is breeding crime and corruption in these countries. Supplies of these drugs are more than adequate to meet world demand.

The traffickers are continuing to move vast quantities of marihuana, cocaine, and methaqualone by air and by sea.

Our Southeastern States are being bombarded with a seemingly endless dispatch of mother ships, smaller transfer vessels, and aircraft clandestinely crossing our borders, with this harmful contraband.

The Caribbean nations, by way of geography, are caught in the middle between the source and the market and, as a result, suffer, all of the ill effects associated with drug trafficking, increased crime and violence, drug-induced inflation, other economic woes, and a climate conducive to corruption.

One of the most effective ways to control drugs is at the source. Optimally, crop control measures will have the greatest impact. Beyond that, we must try to interdict the drugs before they enter international trade.

This is why it is important for DEA to be overseas in the source countries. It is fortunate for the world community that the drug source nations are recognizing their international commitment to drug control. They are implementing serious control measures and are stepping up enforcement operations within their countries.

In Southeast Asia, the Thai and Burmese authorities are extraordinarily sensitive to the centuries-old tradition of opium cultivation among their peoples and their economic reliance on this crop.

In spite of this, both nations are exploring crop destruction and crop substitution programs.

The Thai and Burmese have also dramatically increased their enforcement campaigns against the heroin producers and traffickers. Following the lead of the United States in pursuing alternatives to immobilizing narcotic cartels, many Southeast Asian nations are modeling forfeiture and bank secrecy transaction laws on U.S. statutes. Depriving traffickers of their assets is an effective tool worldwide.

In the Caribbean and in South America, we have seen demonstrations of positive responses by drug source nations.

For example, they are moving forward with a multidimensional program to drastically reduce and contain coca cultivation. The Upper Huallaga Valley project is an example of international cooperation that recognizes the needs of the people and a commitment to global drug control.

The Colombians have maintained an impressive enforcement pressure in the significant staging area of the Guajira Peninsula.

Countries are also responding with various enforcement and essential chemical control programs.

However, for all of this diligence, it seems most likely that drug availability will not diminish. It is essential that the United States stand behind and support a clear policy of drug control at the source by whatever means are required to support this task.

Our inability to aid source nations with herbicidal eradication minimizes the quality and sincerity of our commitment to drug control.

We need legislation to repeal the existing restriction upon assistance to foreign governments for herbicidal spraying programs.

We also need the legislative authority for Federal offices to conduct and assist the United States in conducting marihuana eradication programs through herbicidal eradication.

Drug enforcement needs to capitalize on all of the resources available to it. Progress is being made involving the Navy in spotting ships and aircraft suspected of smuggling drugs and in obtaining other intelligence and information from them regarding drug trafficking. We anticipate further assistance from the Department of Defense once further exceptions to the Posse Comitatus Act are enacted.

It will be welcomed support.

The President's crime control program also contains provisions that are a clear signal of the United States intent to crack down on drug traffickers.

I believe that it is important to amend the current law to better enable the law enforcement community to seize and forfeit traffickers' profits and proceeds. The bail and sentencing reform proposals are needed measures to correct deficiencies and inequities in the criminal justice system. Amendments to the Freedom of Information Act which would insure nondisclosure of information provided by State, local, and foreign police authorities would be most beneficial, as would other proposed amendments to the act.

Rather than elaborate further, I will be pleased to submit to the subcommittee a summary of the administration's programs and proposals for crime control.

We are working on the development of new strategies to contend with the crime attendant to drug trafficking. By combining the FBI's financial investigation of major distribution networks and DEA's ability to penetrate these networks, we are going to be able to reach higher level narcotic traffickers and move against the complex money flow that finances their lucrative criminal enterprises.

FBI expertise in combating organized criminal groups with productive and sophisticated investigative techniques will be extremely helpful. Already the number of joint DEA and FBI investigations has increased fourfold since July. Drugs are the root of violent crimes we are experiencing in the United States and around the world. If we bring to bear the full resources of the U.S. State Department, the Defense Department, Treasury Department, U.S. Coast Guard, our foreign leaders and their people, we can have an impact on drug production, trafficking, and abuse.

We pledge to do our utmost and, as always, look forward to working with the Congress to develop and move forward with an aggressive strategy to combat this significant probe.

Senator, that concludes my statement.

Senator Rudman. Thank you very much, Mr. Mullen. We appreciate your statement.

As we stated earlier, we will have the entire statement incorporated in the record.

Let me start out, I think, with a key question so that we can have your answers at this hearing in proper perspective.

Mr. Mullen, are you in a position this morning to speak for the Department of Justice in this area?

Mr. Mullen. Yes, Mr. Chairman.

Senator Rudman. Very good.

I wonder if we might start out our discussion this morning with the whole area of the budget for your agency.

The Attorney General has been asked to respond recently to a number of inquiries about drug enforcement budgets. I wonder if you can explain to the subcommittee this morning how we might expect greater success in the fight against narcotics by spending less money?

Mr. Mullen. Yes, Mr. Chairman. Right now we are experiencing some budget difficulties. I think that is very clear. Several factors—reduced budget available, the pay increase we have had to absorb and the continuing resolution all have combined to cause us some difficulty at present.

I hope that this will be resolved around November 20 with either the budget proposal passing or a continuing resolution giving us a higher level of funds.

We are studying several areas, for example, to see what impact the combined resources of the FBI and DEA, as well as other agencies, Customs and IRS, will have in the future on drug enforcement with regard to resources.

For example, I believe DEA has for many years had inadequate resources and it is a matter of what is available by way of budgeting.

We have looked at several areas of the country, for example, Pittsburgh, where we have eight drug enforcement agents in the same Federal building with 118 FBI agents. It is like that in many areas of the country. We are hopeful that the infusion of FBI resources will assist in mitigating the difficulty we are encountering with the reduced budgets.

We have seen benefits of these joints investigations already throughout the country. I indicated in my prepared statement that the number of joint investigations, DEA and FBI has increased fourfold.

Actually, the increase has been from 10 to 15 to over 70. The FBI has doubled its number of narcotic-related investigations since July 13 from 100 to 200.

I have to say, however, that we are experiencing budget difficulties. I have advised the Associate Attorney General and the Attorney General. We are following it closely. I have been assured that should we arrive at the point where we are not effective, that the Attorney General will go to the President and attempt to remedy the situation.

Senator RUDMAN. I appreciate that answer and I want to get into it a bit.

Let me just ask you to compare for us a moment in general numbers the fiscal year 1982 budget as proposed by the administration as opposed to the prior year.

Mr. MULLEN. I have a listing here of our budget.[1] I won't go back as far as the first year we have available, which is 1969.

Senator RUDMAN. Why don't you compare the last 2 years for us?

Mr. MULLEN. I would like to go back as far as 1980 where we had a budget then of $203 million. DEA has asked this year for a budget of $233 million, which I believe would be adequate to fulfill our responsibilities. That was reduced to $216 million by OMB and then further reduced by 12 percent to $201 million.

Senator RUDMAN. It would be less with inflation than you had in the prior year.

Mr. MULLEN. In 1980.

Senator RUDMAN. You certainly would not want to testify to this subcommittee that you could do more with less in this area.

Mr. MULLEN. I can not testify to this subcommittee that we can do more with less. I have taken steps within DEA in my short tenure there to cut budgets in some areas I thought perhaps were a little excessive, but you can only go so far at that. I think we have gone as far as we can. Yes, we are hurting a little bit right now.

Senator RUDMAN. You, of course, held a very high position in the Bureau. I am familiar with your background of record. I am also very familiar with the Bureau and what they do. Would you state that prior to July 1 of last year, or let's make it prior to January 1 of last year, that the Bureau was overstaffed for the enormous responsibilities that it has?

Mr. MULLEN. No, I do not believe any of the law enforcement agencies within Justice within the past 5 years have been overstaffed. We always watch our budgets carefully. I think most law enforcement agencies do.

Senator RUDMAN. As a matter of fact, the Bureau, in public statements, has repeatedly said that with its tremendous responsibilities, particularly in the area of domestic intelligence and security—areas not very glamorous as television would have you believe they are, in fact, they were understaffed and their caseload in certain areas such as white-collar crimes and security fraud, is burdensome and, in fact, is causing delays in presenting cases to various U.S. attorneys around the country; isn't that an accurate statement?

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[1] The proposed budget may be found in the Appendix on p. 597 following Mr. Mullen's prepared statement.

Mr. MULLEN. Generally accurate.

I don't know about the delays being caused. I don't have any specific knowledge on that. It is possible, but I am just not certain. Like all agencies, Senator, we have to face the economic realities that budgets are tight now and we have to work within limits.

I think it is obvious to any observer that reduced budgets are going to mean reduced efforts. We try to do the best that we can with what is available to us.

I speak out, I tell the Attorney General, the Associate Attorney General, and others in authority what we need. I know they try their best to get what we need for us. Once a decision is made, this is going to be the budget, why, I will work within that. It is obvious less resources is going to be difficult.

Senator RUDMAN. The point here is this, Mr. Mullen. I don't doubt your devotion to this job and I am sure you will fight for everything you can get. What we are really talking about now is a general policy of this administration. I support the administration, but not this particular policy. The administration is talking about increasing the war on crime and I can tell you from probably as much experience as most, we cannot do it with diminished funds in your area, which is very expensive.

I want to continue this dialog before asking my colleague to carry on with questions. We have in our possession a memo I am sure you are familiar with which concerns your proposed reductions after the 12-percent hit what you were supposed to take. I just want to talk about that for a moment.

Mr. MULLEN. Certainly.

Senator RUDMAN. No. 1, in the proposal that was made which you, of course, were directed to prepare, as you just very properly outlined, you were asked to set forth a budget proposal. No. 1, it showed a reduction of approximately 211 agents; is that correct?

Mr. MULLEN. That is correct, Senator.

Senator RUDMAN. You would have to agree with me that that would be a very severe cutback on the war against narcotics, would you not?

Mr. MULLEN. I don't know if it would be severe, it would have an adverse impact.

Senator RUDMAN. We can argue about adjectives. It certainly would have some effect. I want to read to you from one of the summaries of the memo. Let me just go back a bit; you were going to close offices in Portland, Maine, Concord, N.H.; Jackson, Miss.; Fargo, N. Dak.; Omaha, Nebr.; Wichita, Kans.; Des Moines, Iowa; Sioux Falls, S. Dak.; Cheyenne, Wyo.; and Great Falls—that is a proposal. I make it clear that is not being done. At that time that was a proposal to meet that 12-percent reduction.

Mr. MULLEN. That is correct.

Senator RUDMAN. Had that been carried out, I think you would agree that would have had a rather severe effect on drug enforcement in those areas.

Mr. Mullen. The U.S. attorneys are meeting currently in Washington and the U.S. attorney from Vermont and U.S. attorneys from New Hampshire and from Maine all approached me during the conference and asked that these reductions not take place. They felt DEA agents were essential in those locations.

Senator Rudman. Finally, I read to you from this report prepared under either your direction or your predecessor's direction, and I quote, "It is possible that response time, liaison and overall enforcement effectiveness will be diminished because of the remoteness of these areas."

Would you still agree——

Mr. Mullen. I agree with that. It was prepared during my tenure.

Senator Rudman. Mr. Mullen, can this subcommittee expect you to be an ardent advocate and to fight right down to the last point if this administration tries to cutback your agency beyond what they already have?

Mr. Mullen. Oh, yes. I believe that as an agency head I have to be heard and set forth the facts as I see them. I will be an ardent advocate of what we need at DEA because I do believe, from my perspective, having supervised all FB investigations, including intelligence, that the worst crime problem facing the country today perhaps is the drug problem.

Senator Rudman. I agree with that. If I could summarize your testimony in response to this very brief line of questioning, it would be that, (a) reductions will have some adverse effect; (b) that the FBI, although it can assist, has got quite a bit of work of its own and that (c) reductions of the type last proposed by the administration would have a—maybe a middle range to major effect on your enforcement abilities.

Mr. Mullen. You summarized it correctly and well, Senator.

Senator Rudman. That is good because I intend to continue to tell the administration and to tell the Attorney General, based on my own experience and based on the Appropriations Committee on which I sit, that we don't believe that this is an area where we can afford any cutbacks at all. As a matter of fact, we ought to have increases because the net cost of this drug problem to this country and to places like Florida, where my friend Senator Chiles is from, is just enormous as are the social costs and the other costs that are incurred.

I just think it would be penny wise and pound foolish to reduce this agency.

I think many of us in the Congress are going to work very hard to make sure that does not happen. We may agree with the administration on some things, but I have to very respectfully but rather violently disagree that we ought to have any reduction in this particular area.

Senator Chiles?

Senator Chiles. Thank you, Mr. Chairman. I certainly want to echo the thoughts that you have expressed here. In fact, Mr. Mullen, rather than diminishing the agency, if we are going to do the job that needs to be done, the agency needs to be increased, does it not, the assets increased?

Mr. Mullen. That would be an optimum or ideal situation, Senator. As I indicated earlier, we have to, like all agencies, face the budget realities. We are in a time of fiscal constraint.

Senator CHILES. I recognize that you are in a hard place here because you are playing two roles. One, you are trying to speak for the agency which you represent and the other, you are trying to be a good team player. I listened to your answers to some of the questions of Senator Rudman as to what these cuts would do. But the cuts we are talking about of 12 percent, they would cripple the agency, would they not?

Mr. MULLEN. I made that statement in the past, it would have an adverse effect, yes, sir.

Senator CHILES. And this is the statement you have expressed in the past to your people, that you felt ——

Mr. MULLEN. That is correct.

Senator CHILES. I notice in some of the proposed 1982 reductions, we are talking about cutting intelligence 25 people, 25 positions.

Mr. MULLEN. That is correct, Senator.

Senator CHILES. Intelligence is pretty critical to the operation, is it not?

Mr. MULLEN. It is very important.

Senator CHILES. Is it overstaffed, the intelligence?

Mr. MULLEN. I took a close look at intelligence on my arrival at DEA. It is not overstaffed. If you are going to have an effective enforcement program, you must have an adequate intelligence program to support it. I did find, in my opinion, that the intelligence at DEA was not supporting enforcement to the degree I would like it to.

Senator CHILES. We are not supporting enforcement to the degree—in fact, if you had your druthers, you would rather have more enforcement?

Mr. MULLEN. No, I thought we would balance it, strategic was too heavy, I wanted to get a more even balance there. We made the necessary change.

At present, I believe we do have adequate intelligence programs.

Senator CHILES. One of the ways of doing that, I see you talk about, a 2-week furlough.

Mr. MULLEN. That is correct.

Senator CHILES. You just have everybody quit for 2 weeks?

Mr. MULLEN. From the Administrator on down.

Senator CHILES. From the Administrator on down?

Mr. MULLEN. We would have to stagger that. These are proposals, Senators.

Senator CHILES. I understand that. Does everybody take off for a couple of weeks with no pay?

Mr. MULLEN. With no pay, that is correct. That is the only way we could meet that type——

Senator CHILES. That was your effort, trying not to lay off people, having to RIF people or tear the organization down that way.

We just take a 2-week vacation on our war on crime, and figure the war will still be there when we got back.

Mr. MULLEN. It wouldn't be a 2-week vacation in that manner. It would be a staggered situation whereby a certain number of employees——

Senator CHILES. So you try to keep a few people on the watch?

Mr. MULLEN. That is correct. And knowing the spirit, Senator, of DEA employees, I would venture to say most would show up for work. I found the people to be of that caliber within DEA.

Senator RUDMAN. They may find out on Monday morning.

Senator CHILES. You spoke, Mr. Mullen, about combining the expertise of the FBI and DEA in investigations. I wonder if you would comment on the rumored reorganization of DEA and what its relation to the FBI will be?

We hear a rumor that DEA is going to be merged into the FBI; there is not going to be any DEA. What can you tell us about that?

Mr. MULLEN. The committee established by the Attorney General, which was chaired by Associate Attorney General Giuliani, Peter Bensinger, Mr. Webster, and myself, submitted its report to the Attorney General yesterday. We studied all possibilities of the future relationship between DEA and the FBI from maintaining the status quo to an outright merger. In general, the recommendation to the Attorney General is that DEA remain a separate agency because the drug problem is so serious that at this time it requires a separate focus. But in order to insure cooperation between DEA and the FBI, that we in the future, DEA report to the Attorney General through the Director of the FBI. We have found many areas where DEA and the FBI can cooperate.

As I indicated in my opening statement, the FBI's financial expertise, organized crime expertise, combined with the narcotics investigative ability of DEA, I believe can do wonders in the future. We have seen tremendous successes already.

An excellent example is the recent case down in Georgia where we were able to arrest a judge, sheriff, chief of police, and airport manager. When you have this type of investigation, combining expertise of two agencies, you take out entire networks. I think that is part of the answer to the problem we face.

Senator CHILES. So you are talking about coordination but not a merger?

Mr. MULLEN. That is correct. We are going to mandate cooperation between the agencies. I think we need it. Again, I think it will go a long way toward minimizing the drug problem as we know it today.

Senator CHILES. And you don't see this as affecting your flexibility to move quickly or DEA's flexibility?

Mr. MULLEN. No, I see it as enhancing the ability to move quickly. For example, I cited the number of joint efforts. When DEA has but eight agents in a city like Pittsburgh or Cincinnati or Cleveland, you simply cannot implement and maintain a wiretap, for example, and we can use FBI resources in those areas.

Without being specific, I can state we have used that expertise.

Senator CHILES. I see great benefit in that and I think that certainly could be good. I am just trying to now stretch you out a little bit and find out would you be under the command or control of the FBI? Would you have to have permission from the FBI in order to initiate a mission, in order to initiate a project?

Mr. MULLEN. No, we would not. We would function much as we are operating today; however, it would be under the general policy direction of the FBI, to insure we are not working at cross purposes, that we have identified the targets as organized crime or certain narcotics cartels.

Senator CHILES. You are saying there would be broad policy direction but there would not be a day-to-day control?

Mr. MULLEN. That is correct.

Senator CHILES. It would not be a hands-on-operation where you would have to call and get clearance before you could start a project?

Mr. MULLEN. It would not be a hands on. We would meet frequently. For example, we have taken steps to assign DEA personnel from headquarters, Washington, over to the FBI and vice versa so we can coordinate efforts and access each other computers and available information on organized crime.

Senator CHILES. Your agents overseas would still be under command, control, and direction of DEA?

Mr. MULLEN. Yes.

We looked every closely at that aspect and we believe that the DEA effort overseas, as it is now constituted, is necessary, that it must continue.

I have made but one foreign trip since assuming the position of acting administrator and that was to Europe where I talked to the heads of 25 foreign police agencies and all told me—all—that but for DEA there would be no enforcement overseas.

Senator CHILES. The FBI would not be received right now with that same degree of enthusiasm, would they, overseas, because of the concern they would be an intelligence or espionage operation.

Mr. MULLEN. Some foreign officials expressed that concern, but it was very minimal. I don't see that as a major problem.

What I do see as a problem, DEA is much more involved and has to be much more involved because of the nature of the work overseas. Whereas the FBI legal attachés overseas are more in a liaison capacity and rely almost totally on local authorities to carry out and conduct the investigation. DEA is more involved with training and assisting local authorities overseas.

Senator CHILES. On October 1, the Miami Herald began a series of articles based on a 4-month study of DEA by Herald reporters. The series was entitled "U.S. Drug Enforcement Million Dollar Bust."

Among the major findings in the Herald studies were these: DEA's biggest cases have no lasting effect on the U.S. drug supply; that DEA has been hampered by serious management problems, has been weakened by Civil Service requirements; is subject to cronyism. DEA is, in source countries, represented by few agents with limited roles so that the United States has little success in stopping narcotics at the source; and that—and I am quoting "The best efforts of DEA agents and U.S. prosecutors often result in low bail and light sentences for drug offenders, especially in south Florida."

Without objection, I would like to place in the record the first of the Herald articles together with the Herald editorial dated October 20, 1981.

Senator RUDMAN. Without objection.

[The articles and the editorial referred to follow:]

The Miami Herald

Sunday, October 11, 1981

Why the U.S. is losing the war on drugs

By JIM McGEE
And CARL HIAASEN
Herald Staff Writers

On the streets of New York, junkies can score a packet of once-scarce Southwest Asian heroin for $100. In trendy Los Angeles nightclubs, bootleg Quaalude pills are as plentiful as gumdrops, at $8 a piece. In Dade County, stockyard of the U.S. dope industry, warehouses packed with Colombian marijuana are available for a mere $3 million cash.

Eight years after Richard Nixon launched a global narcotics police force called the Drug Enforcement Administration (DEA), the war on drugs is a rout — a lopsided romp for the bad guys.

Marijuana, cocaine, methaqualone and heroin gush into the United States through healthy foreign arteries; overdose deaths are on the rise once again, and so are addict-related crimes.

U.S. Drug Enforcement: The Billion-Dollar Bust

First of a series

The federal drug effort — expensive, elaborate and well-publicized — has been a multibillion-dollar bust.

Philip Manuel, former investigator for a Senate subcommittee that scrutinized the DEA, asserts that "heroin, cocaine and marijuana are unquestionably more available today than they were on July 1, 1973" — the day the DEA was born.

No one argues the fact. The real question is, what's wrong?

During a four-month study of the federal drug agency, Miami Herald reporters reviewed hitherto secret DEA management evaluations and interviewed past and present DEA officials, street agents, intelligence specialists, confidential informants, prosecutors, judges and police.

The conclusion: Despite notable successes in several major cases, the DEA has singularly failed its mission, failed at all levels to stanch the distribution of illicit drugs, failed to noticeably tip either side of the country's swollen supply-and-demand drug equation:

THE DRUG GLUT: Few of the DEA's most breathlessly publicized cases resulted in the predicted crippling of major trafficking rings. Even those that produced important convictions did not substantially diminish drug supplies.

In New York, for example, DEA agents put heroin mogul Nicky Barnes in prison for life. Today, the distribution network of Barnes' empire remains intact; heroin is peddled on the same Harlem streets.

BUREAUCRACY: The DEA has been plagued by serious management problems that have reduced its efficiency, fostered friction with other police agencies and sometimes jeopardized important drug investigations.

For example, heroin supplies have increased while DEA arrests have declined for two years in the Northeast. Despite scathing evaluations that reached then-Administrator Peter Bensinger, little was done to improve heroin enforcement under Regional Director John Fallon.

Fallon now has announced his retirement. The FBI is investigating charges against Fallon, including an allegation that he used DEA agents to paint his house on government time.

FOREIGN CONNECTION: Overseas, in "source" countries where illegal narcotics are produced, skeleton crews of U.S. drug agents can operate only at the whim of foreign governments that are often apathetic, corrupt and even hostile.

Last year, for instance, unwelcome DEA agents clandestinely flew into Bolivia to seize 854 pounds of Miami-bound cocaine base. By the time the agents got out, the Bolivian Air Force was hunting their plane.

DISCIPLINE: The drug agency's internal discipline system — a crucial watchdog

Please turn to **THE DEA / 26A**

THE DEA / *From 1A*

in a field where temptation and corruption are occupational hazards — is subject to favoritism and nearly impotent against civil service appeals. As a result, the DEA sometimes has punished its agents unfairly, and sometimes with extreme leniency.

One DEA agent who used a government car to take his kids to school got a 30-day suspension, while another agent who drunkenly ran down a pedestrian and fled was given a one-grade demotion.

COURTS: The best efforts of DEA agents and federal prosecutors are often thwarted in the courtroom, where low bails and light sentencing for drug defendants have tamed some of the country's toughest criminal statutes.

A computer survey of drug cases in the Southern District during the last three years shows a 68 per cent conviction rate for the government, relatively high compared to state court. However, only 17 per cent of those defendants received sentences of five years or more.

The scope of the government's failure to enact a successful drug policy is sweeping, numbing — and disputed by almost no one. The government's own forecast through 1983 predicts a smuggler's bonanza at a time when the nation's enforcement and judicial resources already are overwhelmed with drug cases.

"We're flooded," says veteran DEA agent Armando Marin. The official U.S. figures for 1980: Smugglers imported *at least* 40 metric tons of cocaine, 10,600 tons of marijuana, and up to 4.3 tons of heroin, the DEA's priority drug.

Even under this gloomy scenario, the Reagan Administration has proposed slashing DEA's 1982 budget by $27 million, prompting one high-ranking DEA official to mutter: "If they do this, then they don't mean what they say about the drug problem. We might as well shut down."

President Reagan, like others before him, says the drug problem is a top priority. And he has decided that the DEA is due for yet another reorganization. Each previous shuffle has been designed to plug the holes in drug enforcement; each has failed.

Some say the new plan — which will, for the first time, throw substantial FBI resources into the battle — is a prescription for success. Others believe it is as doomed as its predecessors.

"I don't care how many agents you put anywhere," says Florida Attorney General Jim Smith. "If we do not develop a policy to go to the source of the drug and eliminate it there, we're just kidding ourselves. We'll never do it."

Critics from congressmen to cops on the beat say the blame is not DEA's alone, but should be spread across the entire fragmented and sometimes schizophrenic $900-million national drug campaign.

Miserly budget

"We're fooling ourselves if we think that the DEA alone, or the DEA and FBI together can do it," says Associate U.S. Attorney General Rudy Giuliani, a key figure on Reagan's DEA task force. "The biggest problem is . . . where do you get the resources?"

Some suggest that the DEA — with a miserly budget that hovers around $200 million, with 1,923 special agents to combat drug traffic in 50 states and 41 countries, and with only lukewarm support from other branches of government — has always faced an impossible mission.

"The best cases and the best agents in the world cannot stop the avalanche of drugs," concludes former DEA Administrator Bensinger.

But others charge that the agency's management took a tough assignment and made it impossible — stationing agents in remote outposts to placate a congressman, diluting managerial talent among five competitive regional offices, failing to promote its best investigators.

Those interviewed portray DEA as a unique police force with agents who mostly are hard-working and sometimes heroic, with an intelligence network as comprehensive as the government has devised, with laws at its disposal that are as severe and broad as any in the federal code.

It is an agency capable, at the touch of a few computer buttons, of dissecting the life of a suspected smuggler — from license tags and phone numbers to names of bankers, bagmen, friends and mistresses.

But, paradoxically, it is also an agency that regularly runs out of money for buying drugs or paying informants, an agency that must order its surveillance agents to ride two and three to a car to save gas.

It is DEA's structure and strategy — the products of traditional narcotics wisdom and modern political demands — that draw the heaviest fire from police, prosecutors, congressional critics and some veteran DEA agents themselves.

Keeping score

"If there *was* an adequate drug effort, what's happening today wouldn't be happening. That's obvious," says Francis Mullen, the DEA's Acting Administrator.

Some veteran lawmen suggest that the agency's traditional yardsticks for success — narcotics seizures and the arrests of priority "Class I" or "Class II" drug violators — are almost worthless in measuring the total impact on drug traffic.

Many of them also believe that the effect of proudly trumpeted multi-ton marijuana and multi-kilo cocaine seizures on drug availability is negligible.

"All of us in law enforcement have got to get away from this attitude that our sterling successes involve the number of tons of marijuana and cocaine we can seize," says James York, commissioner of the Florida Department of Law Enforcement. "A ton of cocaine isn't worth a damn. You've got to penetrate the organization."

While DEA officials insist that the agency's resources are aimed at crippling drug rings by means of such complex financial investigations as Miami's ongoing Operation Greenback, street agents interviewed across the country tell a different story.

Agents say that they are still pressured to generate arrest statistics and "put the powder on the table." The result: At the expense of long-range conspiracy efforts, entire groups of agents are tied up for days on relatively small buy-busts that often yield no new intelligence and no new informants.

"Group supervisors live and die by statistics. You've got to get the statistics," says one DEA agent. "You know what they want? They want you to do the big investigations and at the same time knock off a kilo here or a kilo there. It's impossible."

A kilo here and there might boost statistics, but experts agree that it does little to disrupt the long-term supply of drugs. "Not exactly spearheading the international narcotics effort," quips DEA senior agent Barry Carew.

Lenient sentences

And, in Miami, such cases are likely to result in very light jail time, or probation. The pattern of sentencing is demoralizing for agents, who often risk their lives to make dangerous arrests, and for prosecutors, who say that many drug cases just aren't worth the trouble to take to trial.

"The law says zero to 15 years for almost every crime we work. Zero to 15," sighs DEA agent Mark R. Trouville during a stake-out of a Quaalude mill on Miami Beach. "What I want to know is, how come the average sentence is one-and-a-half years? If that's the way they feel, then just legalize the stuff and I'll go someplace else to work."

This series was reported by staff writers Jim McGee, Andy Rosenblatt and Patrick Riordan. Reporter Carl Hiaasen spent two months riding with DEA agents in South Florida, while correspondents William Long and Guy Gugliotta reported from South America. Assistant City Editor Richard Morin directed the computer studies. The four-month project was coordinated by Investigations Editor James Savage.

The DEA was created in 1973 in response to a fractious and futile national drug campaign being waged by U.S. Customs and the corruption-riddled Bureau of Narcotics and Dangerous Drugs.

With much fanfare the Nixon Administration gave its new drug agency more money, more manpower and broad powers at the border — and in doing so gutted the Customs Service of most narcotics responsibility.

The DEA's "mission" was to enforce federal drug laws, attack and prosecute major narcotics organizations and work toward controlling international supplies at their foreign source.

By 1976, the agency was a mess, the target of a disapproving Senate watchdog subcommittee and unflattering reports from the General Accounting Office.

DEA's relations with other federal law enforcement branches had disintegrated in bitter feuding, and many state and local police agencies simply didn't trust DEA at all.

"There was tremendous infighting between DEA and Customs. They would break each other's cases," says Sen. Lawton Chiles (D., Fla.), a member of the Senate subcommittee. "It was very difficult to get DEA to cooperate at all with local law enforcement."

Ties to crime alleged

Internally, controversy tainted the agency's self-discipline system. In the parking lot of a Washington, D.C., nightclub, a policeman who was investigating organized crime discovered DEA Public Affairs Director Vincent Promuto trying on suits from the trunk of a suspect's car.

Later DEA Administrator John Bartels Jr., a close friend of Promuto's, was accused of impeding the DEA investigation of Promuto's alleged friendships with organized crime figures.

Although Bartels denied the allegations, he was fired. Bensinger took his place, and found a police agency enervated by low morale.

"The problem of DEA was, first, to get credibility," Bensinger says, and he set about to thaw icy relations with the Treasury Department, Congress and local police officials.

It took several years, but Bensinger largely succeeded in polishing the DEA's image politically. He upgraded its intelligence operations, beefed up its internal review system and pushed for a successful opium poppy eradication program in Mexico.

"He probably single-handiedly saved that agency from Congress," observes critic Philip Manuel.

Reacting to pressure from Capitol Hill, the DEA announced that it would emphasize the *quality* — not quantity — of arrests, and reward agents commensurately.

"We tried to make them quit going for the body count, and go for the people at the top," explains Chiles.

In fact, DEA arrest statistics declined during the last two years — the result, officials say, of transferring agents off the street into specialized CENTAC tactical units and task forces.

'An acting job'

Meanwhile, street agents were encouraged to go after major violators, who are theoretically classified according to the amount of drugs they distribute and their role in the operation.

Yet Justice Department officials like Associate Attorney General Giuliani say that the DEA's classification system has created "an almost slavish dedication" to Class I arrest statistics — without enduring results.

The problem is that, in the drug business, nobody usually knows exactly how much dope one suspect can deliver.

"The agents have a tendency to paint somebody as being bigger than he actually is. It's an acting job," says lawyer Paul Lazarus, former chief of the narcotics division of the U.S. Attorney's Office in Miami. "Someone who qualifies as a Class I violator in Miami may still be very low down the totem pole."

Says Bensinger: "The people we were going after *were* more important."

Yet despite the arrest and imprisonment of several of the country's most notorious dopers, drugs are more available today than ever.

Why doesn't the DEA work? Some say it can't.

"They've got to fail, based on what they're doing. The record has got to get worse," says ex-investigator Manuel, who believes enforcement at the street level is hopeless. He advocates a stronger presence at the border to stop bulk drug shipments there.

Others argue for a different shift in DEA strategy. They contend that the agency is still too entrenched with the buy-bust philosophy to commit the time and training to crack the major drug rings.

A recent GAO report criticized DEA for not using U.S. forfeiture laws more often to go after a bad guy's bank accounts, cars, boats and property, as well as his hide. Such seizures come easiest in conspiracy cases. Conspiracy cases take time.

Reporting to FBI

The new plan, which will require the DEA administrator to report to the FBI, is more a "consolidation" than merger.

The goal: to concentrate on major drug conspiracies by utilizing not only the FBI's manpower (four times greater than DEA's), but also its expertise in financial investigations, wiretaps and organized crime probes.

Justice Department officials say the days of racking up drug statistics are over; from now on the DEA will be chasing the paper trail, not just the pushers.

The refrain is familiar, and no one is predicting victory, easy or otherwise, for federal drug agents.

"It's not the answer. It's a holding action," acknowledges David Westrate, chief of DEA's office of enforcement. "The answer is overseas."

"You've got to change some of the scenario," Chiles concurs. "You can't fight it just by adding more DEA agents."

The current drug scenario is more than a crime problem. It is an economic and diplomatic quagmire — huge demands at home, enormous supplies abroad and foreign countries that cannot, or will not, stop the producers.

Many law enforcement officials say that the United States must adopt a drug enforcement policy that does not rely primarily on the lone undercover agent.

Otherwise, the DEA can never succeed, and its threat to the thriving drug business will continue to be that of a wasp on a bear — pesky, annoying, sometimes nasty but never lethal.

Unproductive cases

In a memorandum obtained by The Herald, a veteran narcotics prosecutor in Los Angeles scored the federal drug agency for wasting time and risking its agents' lives on unproductive street cases.

"Street operations are dangerous, disruptive, labor-intensive, expensive and, frequently unsuccessful," wrote Assistant U.S. Attorney Robert Perry in an April 1980 Justice Department memo.

Perry said that, although street work is essential to gathering intelligence and cultivating informants, arrests emanating from buy-busts usually produce low-level defendants, low bails, and light sentences.

"Agents candidly advise that they are judged primarily on the number of arrests and the type and amount of narcotics seized," said Perry. "DEA consistently fails to acknowledge outstanding conspiracy investigations by agents."

In a sharply worded 11-page rebuttal, DEA officials noted that a Financial Investigations Section had been formed in March 1979, and that scores of agents were being trained to develop federal racketeering and historical conspiracy cases.

"DEA agents are experts by training and profession in the investigation of drug violations. What is needed as their counterpart," the agency added tartly, "are prosecutors willing to become experts in preparing and prosecuting drug cases."

Despite the agency's assertions of progress, in July the Reagan Adminstration replaced Bensinger with Francis Mullen, an executive assistant director of the FBI.

The move is seen as a clear signal that, one way or another, the FBI finally is going to get involved in drug enforcement — a notion that the late J. Edgar Hoover had successfully resisted.

DEA agent arrests a suspect during a drug raid at a South Florida home.

U.S. AGENT
DEPT OF JUSTICE
U.S.
POLICE

BILL FRAKES Miami Herald Staff

Pistol at ready, a DEA agent takes part in a drug bust.

The Miami Herald

Sunday, October 18, 1981

New battle plan sought for war on drugs

By CARL HIAASEN
Herald Staff Writer

U.S. Drug Enforcement: The Billion—Dollar Bust

Last of a Series

If the war on drugs is the Vietnam of law enforcement, then South Florida is its Khe Sanh — isolated, besieged, almost overrun.

Nowhere is the failure of the war on drugs more evident, or the prospects for success any bleaker; nowhere could changes in the federal drug campaign have a greater impact.

"I'm not ready to call it hopeless, but we're approaching that status," says Don Meyer, Regional Director for the U.S. Drug Enforcement Administration (DEA) in Miami.

Within weeks, a Justice Department task force studying the DEA will unveil a new strategy for the government's lead narcotics agency.

For the first time, the FBI will officially join forces with DEA to bolster the drug effort with more manpower and resources. The head of the drug agency will report to the director of the FBI, officials say, and cross-training of agents will begin soon.

The hoped-for result: far-reaching drug probes that rely not only on DEA undercover penetration, but on FBI accountants, wiretap experts, and language specialists.

"A dramatic change," DEA Acting Administrator Francis Mullen said in an interview.

There will be more coming. A career FBI man who replaced fired DEA chief Peter Bensinger, Mullen says he will try to remedy some of DEA's chronic problems with FBI-styled reshaping.

For example, to strip away layers of the cumbersome DEA bureacracy, Mullen has abolished the agency's regional reporting method in the Northeast.

In Pittsburgh, for example, a DEA office working on a big undercover operation now reports directly to Washington — not to a series of DEA offices in between. Mullen says he is considering similar streamlining for the four other DEA regions.

To more efficiently use the DEA's 1,923 agents, Mullen says he plans to uproot agents from the more tranquil offices and reassign them to embattled areas such as South Florida and the upper Gulf Coast region.

"Miami needs a lot of help, and it's going to get it," Mullen promised.

But law enforcement veterans agree that more manpower is not the only answer. In interviews conducted during the last four months, many experts raised serious questions about the U.S. government's drug strategy at all levels, from the street to the State Department.

"The problem has always been, and continues to be, bigger than the DEA as an agency," says former Senate investigator Philip Manuel.

"I don't think DEA was ever given the resources necessary to solve the narcotics problem. I don't think there ever was a total commitment on the part of the federal government," adds Arthur Nehrbass, former head of the FBI's Miami office and now chief of the Metro Organized Crime Bureau.

Like four presidents before him, President Rea-

Please turn to DEA / 6A

gan has sounded the call to stamp out drug trafficking. Unlike the others, however, Reagan also is seeking a $27-million cut in the DEA's budget — a move that congressmen and lawmen are calling hypocritical.

"It's absolutely whacko," Sen. Joseph Biden (D., Del.), the ranking Democrat on the Judiciary Committee. "The President goes down to New Orleans and makes a big crime speech about the thin blue line out there. I guess he wants to make it even thinner."

The White House referred questions about the DEA budget cuts to the Office of Management and Budget (OMB). "We faced a budgetary emergency," said OMB spokesman Ed Dale. "The result is a lot of cries of pain."

So, the war on drugs will get less at a time when drug enforcement clamors for more — more agents, more money and more prosecutors.

But even without new funds, there are significant changes that can be made in the federal drug-fighting strategy, changes endorsed by some experts who believe that the old ways have miserably failed:

At the Border

Some experts contend DEA is spending most of its money and manpower where it is least effective, on the streets. There, drugs already have been cut with adulterants; the loads are smaller; the suspects, relatively low in the organization.

These critics argue for a stronger federal presence at the U.S. border, with drug agents concentrating more on the smuggling, less on the street dealers.

"What's easier to defend, 1,200 miles of Florida coastline, or millions of miles of streets? That's the choice," Manuel says.

To beef up the interdiction effort, Sen. Lawton Chiles (D., Fla.) has introduced legislation that would permit the U.S. armed forces to gather and disseminate intelligence on smugglers. The wording of the proposed law is being hammered out now in a conference committee.

Law enforcement officials say its passage is crucial to plug an absurd gap in the federal anti-drug effort. For instance, under current laws, Navy sailors who witness a drug transfer at sea are prohibited from reporting it to the DEA or U.S. Customs.

In the Bank

Confiscating huge drug shipments is not the way to cripple drug rings, experts say. The answer is going after money and assets.

Mullen says that, in the future, the DEA will be conducting more undercover operations like the "reverse stings," which are aimed at large cash seizures of dope profits.

Authorities would like to plow some of these captured drug fortunes directly back into law enforcement. Florida now has such a law, which has benefited local police; the federal government doesn't.

The so-called Biden Amendment, which would allow U.S. drug enforcement to use some of the wealth it seizes, is also tied up in committee. Currently, the millions of dollars seized each year by DEA agents is turned back to the general Treasury.

The DEA says it could use the money to buy new tires and radios for its agents' cars.

The Big Fish

Justice Department officials believe that the DEA must devise a better method of targeting major drug suspects than the classification system now used.

Currently, for example, a suspect who can deliver 40 kilograms of cocaine per month is labeled a "Class I" violator — the same as a suspect who can deliver only one-tenth that amount.

"If you can arrest and successfully prosecute the leader of a major heroin or marijuana importation ring, that can be worth 50 Class I arrests of just anybody who might fit the critera," contends U.S. Associate Attorney General Rudy Giuliani.

Some Justice Department analysts have suggested a "super Class I" category to set the truly big-time dopers apart from routine dealers.

In Court

To ensure heavy jail time for large-scale traffickers, lawmen advocate beefing up federal drug laws with provisions for mandatory sentencing. They also support a Bail Reform Act, now under consideration in Congress, that is aimed at stopping big dopers from posting huge bonds and skipping town.

The Overseas Dilemma

One of the most enigmatic problems facing U.S. drug enforcement is the foreign connection.

Only 10 per cent of the $900-million annual anti-drug effort is spent in foreign countries, where almost all illegal narcotics come from. Yet drug seizures made in source countries invariably are larger, and the drugs themselves more pure.

"The best return on investment is overseas," asserts DEA intelligence chief Gordon Fink. "That's where you're most effective."

The problem is, in foreign nations the DEA's activities are strictly limited by law. Doubling or tripling the number of agents in Colombia, for example, would produce more tidbits of intelligence but few more arrests.

Critics say the State Department should do more. They suggest using U.S. aid as a carrot-and-stick to convince foreign governments to wipe out drug crops and crack down on smugglers.

The law allows the United States to curtail foreign aid to nations that do not cooperate with international drug enforcement. That sanction never has been used. State Department officials say "bilateral cooperation" is more effective.

"I think their attitude is they'd rather have smugglers out there than Communists," scoffs James York, head of the Florida Department of Law Enforcement.

Officials for the State Department's Bureau of International Narcotics Management (INM) reply that it's difficult to convince Colombia to spray its marijuana fields with paraquat when the United States refuses to do the same to its own ever-spreading fields of home-grown pot.

To complicate matters, drug importers faced with crop eradication in one source country have a clever habit of moving their operations to another. When opium poppies were destroyed in Mexico and Turkey, the smugglers turned to Iran, Afghanistan and Laos — countries where U.S. drug agents are not exactly welcomed with open arms.

"What can we do, unless we invade," Giuliani says.

One State Department source, who asked not to named, acknowleged that U.S.-assisted cocaine and marijuana crop control campaigns abroad have been a flop.

"On the other hand," he said, "can you afford *not* to try?"

Attitudes

On this point, drug experts and lawmen offer the same tired homily: Without a dramatic reduction in the American public's demand for illegal drugs, the problem will never go away.

"If you can eliminate the market you can eradicate the drugs," Mullen said. "Otherwise, we are *never* going to stop it."

Comparisons between marijuana laws and Prohibition are familiar. Publicly, DEA officials express optimism at surveys showing that pot-smoking is not *gaining* popularity in high schools. This, they say, is a signal that the public is more aware of marijuana's health hazards.

But domestic demand for grass has never been greater. And police, DEA agents, and some U.S. officials say the market probably will never dry up, laws or no laws.

"I hope it's clear that marijuana enforcement is useless and worthless. It ought to be legalized and taxed," asserts one government analyst who, not surprisingly, demanded anonymity.

That is not likely to happen soon, if it all.

In the meantime, the U.S. government says it will try to win an old war in new ways — with more FBI men, less bickering, longer investigations and a trimmed-down DEA not so obsessed with statistics.

"We're coming together, I really believe that," Mullen said.

Others don't. "I've got the answer, but you're not going to like it," says former U.S. drug prosecutor Barry Leibovitz. "The answer is, there is no answer."

And, on the streets, prosperity.

"If [DEA agents] weren't out there," says defense lawyer Paul Lazarus, "and the people were not afraid of getting caught, then everybody and his brother would be into it."

Sometimes it seems that way already. In one typical week, a group of DEA agents in South Florida had a chance to buy 30,000 Quaalude pills in Oakland Park, two kilograms of cocaine in Kendall, or an ounce of brown heroin in Carol City. At the same time, some men with $500,000 were offering to buy a trailerfull of U.S.-owned marijuana.

And that's only what the feds heard about. In one week.

Said ex-DEA chief Peter Bensinger: "We're fighting a pretty lonely battle."

'The President . . . makes a big crime speech about the thin blue line . . . . I guess he wants to make it even thinner."

Sen. Joseph Biden

'I think their [State Department] attitude is they'd rather have smugglers out there than Communists.'

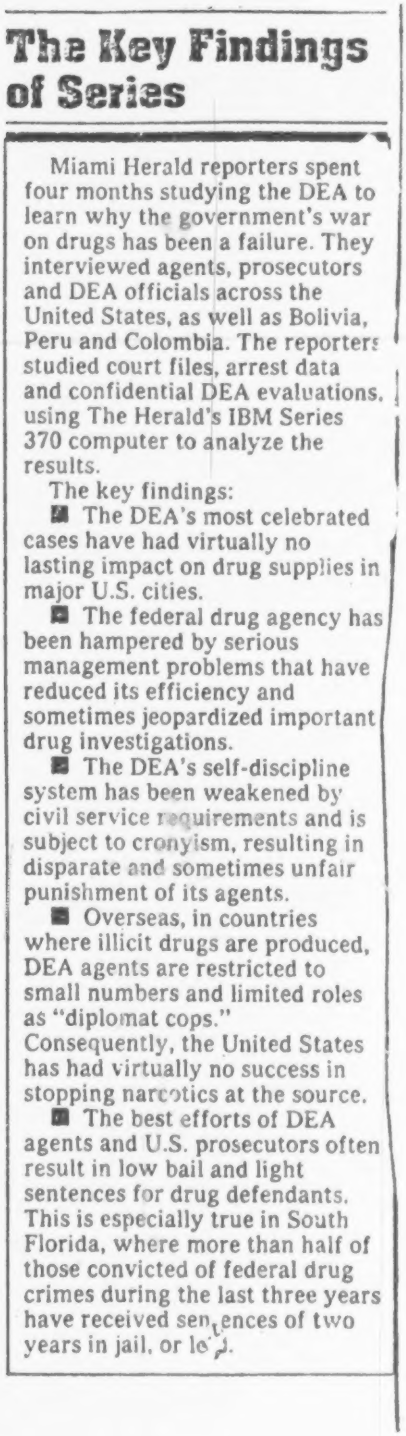
James York

'Miami needs a lot of help [in regards to manpower], and it's going to get it.'

William Mullen

'If you can successfully prosecute the leader of a major heroin ring, that can be worth 50 Class I arrests . .

Rudy Giulia



The Key Findings of Series

Miami Herald reporters spent four months studying the DEA to learn why the government's war on drugs has been a failure. They interviewed agents, prosecutors and DEA officials across the United States, as well as Bolivia, Peru and Colombia. The reporters studied court files, arrest data and confidential DEA evaluations, using The Herald's IBM Series 370 computer to analyze the results.

The key findings:

- The DEA's most celebrated cases have had virtually no lasting impact on drug supplies in major U.S. cities.
- The federal drug agency has been hampered by serious management problems that have reduced its efficiency and sometimes jeopardized important drug investigations.
- The DEA's self-discipline system has been weakened by civil service requirements and is subject to cronyism, resulting in disparate and sometimes unfair punishment of its agents.
- Overseas, in countries where illicit drugs are produced, DEA agents are restricted to small numbers and limited roles as "diplomat cops." Consequently, the United States has had virtually no success in stopping narcotics at the source.
- The best efforts of DEA agents and U.S. prosecutors often result in low bail and light sentences for drug defendants. This is especially true in South Florida, where more than half of those convicted of federal drug crimes during the last three years have received sentences of two years in jail, or less.

The Miami Herald

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6A Tuesday, October 20, 1981

EDITORIALS

DEA Requires Overhaul To Fight Its Futile War

THE FAILURE of the U.S. Drug Enforcement Administration (DEA) to stanch the flow of illegal drugs is in some ways akin to the failure of preechers to eradicate sin. Like the church, the DEA must try to conquer the greatest of human failings: the enduring temptation to err for enjoyment and profit.

Millions of otherwise-respectable Americans use marijuana, cocaine, Quaaludes, and other illegal substances for pleasure and escape. They know it's illegal. They know it's unhealthy. They do it anyway, ignoring every preachment and prohibition against it.

This incessant demand sustains the international drug-smuggling business. This pernicious, pervasive enterprise measures its illicit profits in the billions of dollars each year. Its tentacles extend into every hamlet in America. It is better financed than the DEA itself. Its vulturous tradesmen would as soon kill a lawman as bribe him; they have done both and will do both again.

Small wonder, then, that the war on drugs is by its very nature overwhelming. Even if it had unlimited resources, incorruptible agents, efficient organization, and international co-operation, the DEA would face great obstacles even in limiting, much less in shutting off, the flow of illegal drugs.

As *The Herald's* exhaustive, eight-part series on the DEA's anti-drug efforts has documented, however, that agency is beset with problems. Some attended its birth in 1972. Others arrived later. The DEA is underfunded, often inefficient, frequently hamstrung by internal red tape and external obstacles thrown up by corrupt or indifferent officials in the countries from which most illegal drugs come.

Fortunately, some overdue reforms

and reorganization are in the offing. Soon, for example, FBI agents will join DEA agents in tracking the bank dealings and other financial shell games that hide the activities of the biggest drug traffickers.

The State Department has been remiss in not pressuring foreign governments to move resolutely against the growers and processors of marijuana and cocaine. It has not used the foreign-aid law's provision denying assistance to governments that refuse to co-operate in anti-drug efforts. That provision should be invoked when persuasion fails.

President Reagan proposes cutting the DEA's already-inadequate budget by another $27 million this year. To offset that, the DEA should be permitted to add to its own budget illicit funds confiscated from dope dealers. Those funds now go into the Treasury's general account. If they went instead to the DEA, its success would breed success. The alternative is further impairment of the agency's ability to impede big-time drug dealers.

Finally, the classification and sentencing of drug smugglers and dealers both need revision. The DEA should focus primarily on major dealers, suppliers, and financiers. Congress should stiffen the penalties for drug trafficking, including imposing minimum mandatory sentences.

No reforms will eliminate illegal drugs entirely, because no law of man can repeal the laws of human nature. But until basic reforms are made, the DEA will remain an agency hopelessly outmatched by the forces arrayed against it. Its courageous and dedicated agents, not to say the American values that illegal drugs are eroding, deserve better — much better — than that.

Senator **Chiles**. I would like to ask Mr. Mullen if he could comment.

Mr. **Mullen**. Which one?

Senator **Chiles**. Do you have any comments?

Mr. **Mullen**. I do not agree with all the conclusions of the Miami Herald articles—some. But I think DEA was unfairly singled out in these articles. Yes; there have been difficulties and, yes; we can make changes and become more effective. But the drug problem in this country is not DEA's alone. I think you have the State Department, the Treasury Department, the Congress, I think a lot of people have to answer for the problem and work toward a solution.

Senator **Chiles**. Would you agree with the thrust of these articles that DEA, regardless of how proficient and efficient it is, is not going to be able to solve the drug problem?

Mr. **Mullen**. I believe that under the current policies and given the resources, I do not think we can use the word "solve," but we can minimize the problem, we will never totally eliminate it, as long as you have human beings and drugs are available, but we can make it much less a problem than it is today, given the resources to do the job.

Senator **Chiles**. I think you could fight it and I think you can win battles, but regardless of how efficient or proficient you are, I don't think you can win the war. I don't think DEA can, and I don't think any single agency can. What we have been missing is the kind of coordinated effort that brings in the State Department. Now we are talking about the sharing of the military and its resources and information and intelligence gathering devices; that we change law and get the courts into the arena of trying to help us, rather than working it conversely, and bail laws have to be changed, and certainly from the very top, the President and the enunciator of our foreign policy, it has to be a cornerstone of our policy with every other country.

Mr. **Mullen**. I agree with that, Senator. There needs to be an international thrust involving all agencies of the Federal Government.

As I have indicated, the initiatives underway will address these areas. I believe we can succeed, given the resources.

Senator **Chiles**. Again, we are talking now some mandated cooperation between DEA and DBI. We look back in the history of this, this has been one of our big problems all the way through. It was DEA and Customs, trying to coordinate and bring the Coast Guard into the act; it was trying to get sharing on a proper basis so it is a two-way street between DEA and the other law enforcement agencies and State and local law enforcement agencies.

It is interfacing with the State Department, interfacing with the military. We have pieces of this that we try to put together, but there is no single coordination that is bringing this.

Mr. **Mullen**. The President has designated the Attorney General to head the Inter-Agency Committee on Drug Enforcement. I do meet regularly with Carlton Turner, Dr. Turner in the White House, with Dom DeCarlo from the State Department and other agency heads, the U.S. Coast Guard, and we do have a coordinated policy.

I met with Treasury, with the new leadership over at Treasury. I believe we do have a coordinated effort underway and we are using the resources available to us. We have an interdiction effort taking place at present near your home State and it involves about five different agencies, and we are working very effectively utilizing each other's resources.

I do believe the national thrust is there. It is still in its developmental stages, but it is coming together very nicely, I believe.

Senator CHILES. Thank you, Mr. Chairman.

Senator RUDMAN. I believe that probably concludes our questioning. I do want to say there have been a number of newspaper articles recently, one very recently about failure to have funds to pay for an agent to go to New York and testify. I am sure you know about that. There are other stories about agents being unable to have enough funds to purchase gasoline for their cars to do some of their work. Are those problems getting straightened out?

Mr. MULLEN. They are. We were given supplemental funds this week of around $700,000. It has helped alleviate the problem. The story about the agent who did not show up for trial is inaccurate. It was an administrative foulup that we have to take responsibility for, a misunderstanding of instructions. I also heard a story of agents having a bake sale to buy gas. That is not true, Senator. We are working on it.

Senator RUDMAN. We may be in tough shape, but not that tough shape.

Mr. MULLEN. I am hoping that as of November 20, the situation will be alleviated and we will move forward.

Senator RUDMAN. Mr. Mullen, let me say that we appreciate your testimony this morning.

You have been very candid. I think you have to be.

Mr. MULLEN. Yes, sir, I agree.

Senator RUDMAN. We understand that you are on a team, and you have to play with that team. On the other hand, I think it is important that people like yourself tell these committees precisely what your personal views are. I believe it will go a long way actually in getting what you need. Certainly you have the support, I know, of this subcommittee because we have heard enough testimony here on this subject to be convinced we need more efforts, not less, more agents, not less, and more coordinated activities, not less.

We wish you success in your endeavors over there. We thank you for being here.

Mr. MULLEN. Thank you, Senator. We do have some morale problems right now within the drug enforcement effort, but it is heartening to have people like you say the things you have said.

Senator RUDMAN. The next witness will be Mr. Jay Ethington, assistant U.S. attorney, Department of Justice.

If you will remain standing, we will administer the oath.

Do you swear the testimony you are about to give in the course of this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ETHINGTON. I do.

Senator RUDMAN. Would you identify yourself for the record?

TESTIMONY OF JAY ETHINGTON, ASSISTANT U.S. ATTORNEY, DEPARTMENT OF JUSTICE

Mr. ETHINGTON. Senator, my name is Jay Ethington. I am an assistant U.S. attorney for the northern district of Texas.

I have been a prosecutor for 10 years. I have been an assistant U.S. attorney or Federal prosecutor for the last 6 years.

[At this point Senator Nunn entered the hearing room.]

Mr. ETHINGTON. I guess I am one of the troops in the trenches rather than one of the policymakers, and I am here today to share some of my personal observations.

Senator RUDMAN. You have a very complete statement. You may either give the complete statement or summarize it at your choice, and you may proceed.[1]

Mr. ETHINGTON. Thank you, Senator.

I have prosecuted and dealt with, on a daily basis, approximately 100 different narcotic traffickers. I meet with them during the course of the day. I listen to their problems and negotiate plea bargains with them and assimilate evidence regarding their cases. I concluded the first successful prosecution of a continuing criminal enterprise case about 5 years ago. It resulted in a life sentence without parole, and I just recently completed the prosecution against that same individual for conducting a narcotic trafficking organization while confined in the penitentiary, a Federal penitentiary in Texarkana, Tex. He is now serving a life sentence plus 15 extra years. It really did not mean much to him. It surprised us that he was able to conduct business while being incarcerated in the penitentiary. The jury had no problem in understanding the evidence against him and convicted him.

I have attempted to utilize the RICO statute twice in narcotic prosecutions. I was the first to do so and I will say to the committee, I was unsuccessful. The statute and the court charge were confusing to the jury and they were unable to understand that piece of legislation and I was unable to explain it both to them and the judge adequately.

Whenever possible in our narcotic investigations and prosecutions, I avoid using the Internal Revenue Service as investigative agents. I say that—well, I hesitate to say that but it is true.

Senator CHILES. Is that because they are not good investigators?

Mr. ETHINGTON. To a man, they are very capable, competent, and energetic. They are very good investigators. They are restricted by their regulations and requirements to the extent that they are not of any help to us and, in fact, a hindrance.

Senator CHILES. It is not because of their expertise or their lack of diligence in the job. It is under the orders under which they operate or under restrictions under which they operate, is that what you are saying?

Mr. ETHINGTON. Yes, sir. It makes it impossible for them to be a productive member of a team to investigate and prosecute a case.

Senator NUNN. Could you give us an example of that?

Mr. ETHINGTON. The example we have before us today is the *Harold Oldham* case. I understand Mr. Oldham will testify next. He is a convicted cocaine distributor. I guess you would say trafficker. Incidentally, I have reviewed his information that he will present to you today and it comports 100 percent with the evidence that was deduced at trial. He is prepared to be open and candid with you, I understand.

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[1] See p. 611 for the prepared statement of Jay Ethington.

Senator RUDMAN. You handled that case, did you not?

Mr. ETHINGTON. Yes.

Senator RUDMAN. Why don't you proceed with that case?

Mr. ETHINGTON. The case is entitled "*United States* v. *Ray Enstam.*" He is a lawyer, or was a lawyer. They haven't taken his law license from him yet. He is incarcerated in a Federal penitentiary. The case began with informant information, as it always does. The informant was a young lady from Iowa that traveled to California seeking her fame and fortune and got wrapped up in the Hollywood narcotics scene for about 6 months and then realized that she had made some mistakes and her life was going downhill, and she contacted DEA and disclosed the knowledge and information that she had. DEA then immediately began a relationship with her where she introduced undercover agents in an investigative capacity and they began their gathering of information. Very quickly they realized that there was significant income that was being produced by the cocaine traffickers and in posing as cocaine traffickers themselves, they presented the concept of needing to launder or wash the money that they had generated in their illicit business.

Harold Oldham, who will testify to you next, assisted the DEA agents, not knowing at the time that they were undercover agents. He assisted them in laundering money that was produced, theoretically, or purported to be produced by narcotics trafficking in the United States, and the DEA agents, realizing that they were now in the area of a financial-type investigation, sought the help of IRS.

Now the only help IRS was able to give them was the $50,000 in laundered money that they loaned to DEA. Otherwise, it was strictly and completely a one-way street. Information would flow from DEA to Internal Revenue Service agents, but the opposite could not happen. IRS had information regarding this case but they could not disclose it or use it with the DEA agents. DEA agents in an undercover capacity were successful in traveling to the Cayman Islands and going through the money-laundering procedures, and returning to the United States with legitimized funds now and then. After that, a search warrant was executed in the lawyer's office. Other information was gathered, indictments brought, and successful prosecution was had. That was the financial aspect of the investigation.

DEA continued the investigation to determine the source of cocaine in the Miami area. It resulted in an arrest and attempted seizure of about 40 pounds of cocaine. There was so much cocaine in the house that the DEA agents were searching that it clogged up the plumbing facilities while the traffickers were trying to dispose of it.

Successful prosecutions were had in the Miami area. I was not a part of these.

Senator NUNN. Could you tell us why the IRS agents were not able to have information flow from them back to DEA, why it was a oneway communication? Is it the law or is it regulations?

Mr. ETHINGTON. Well, it is both. It is the disclosure restrictions that they have and then their interpretation of the disclosure restrictions.

Senator NUNN. That is the Tax Reform Act of 1976 and the regulations that have issued therefrom?

Mr. ETHINGTON. Yes; that has caused them to be ineffective in this area of investigation.

Senator NUNN. What is the attitude of the IRS agents about these restrictions?

Mr. ETHINGTON. Individually it is frustration to the point of almost giving up the fight.

Senator CHILES. But you say they had information as this case was going along from their own sources, from their tax audit information, and what not, that would have been helpful, but they could not and would not disclose any of that?

Mr. ETHINGTON. The only reason that the *Oldham* case was successful and the only reason that, according to Internal Revenue Service, not my own opinion, but Internal Revenue Service agents, it probably will be the only case of its type that will be successful is because the agents had an excellent cooperative attitude. I won't say there was—well, there was in a sense some on-the-spot interpretation of the regulation that might have been characterized as rule bending. Nothing improper, just the IRS agent was a little less cautious than what his supervisor probably would have liked him to be. We were successful in the prosecution because of that.

Senator CHILES. Without that, you would not have been successful in the case, probably.

Mr. ETHINGTON. That is true.

Senator CHILES. So what you are saying is there are often cases that don't get prosecuted because we haven't had the cooperation of the Internal Revenue Service?

Mr. ETHINGTON. The Internal Revenue agent is very competent and capable. After the successful prosecution, he had been contacted, he told me, by 60 other agents in an identical situation throughout the country that he was in in this case.

In his estimation and the estimation of those other 60 agents, those cases will not be prosecuted or investigated further.

Senator CHILES. Sixty other cases, similar cases.

Mr. ETHINGTON. Senator, if the taxpayers ask us to step up to the plate and take a swing against crime, we are batting 1 for 60 right now.

Senator NUNN. Do you have something in writing on that? Do you have any kind of documentation on that?

Mr. ETHINGTON. It can be supplied to the subcommittee.[1]

Senator RUDMAN. Will you supply that for the record?

Senator NUNN. That will be helpful to have. The other day I testified before Senator Grassley's committee, of the Finance Committee. We passed the Reform Act amendment, the reform of the Tax Reform Act in the Senate, and it got kicked out in conference committee on the big tax bill that went through in the summer. We have the measure pending again and they are having hearings on it. One of the questions that kept coming up were real examples of this. And we have, of course, some examples and we have heard numerous references to other examples. If we can have something in writing on that, I think it will help.

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[1] The material referred to was not received by the subcommittee at the time of printing.

Senator **Rudman**. While we are on the subject of the Internal Revenue Service and since we seem to be asking questions as we go along, let me ask you one.

It is my understanding that you have had some real problems in getting the IRS to agree to indict people who want to plead guilty to tax offenses as part of a plea bargaining working with your office; is that correct?

Mr. **Ethington**. Oh, yes.

Senator **Rudman**. Why don't you give us an example of that, and of what you went through. You have someone here who is really absent of rights, they want to plea bargain, they want to plead guilty to a tax offense. You supply IRS with all the information and they say, "Well, it is going to take a long time." Why don't you tell us about that?

Mr. **Ethington**. Many of these traffickers would much rather go to the penitentiary for 6 months, 2 years on a tax offense. A tax offense doesn't have the bad connotation that heroin importation or trafficking does. And the penalty range, 15 years for heroin importation, is greater, so they come to me on a regular basis wanting to plea bargain. Of course, the obvious offense would be a tax evasion case, 5 years or something in the tax realm. I don't have the ability to use that in plea bargaining. We could dispose of—I personally could dispose of 30, 40 cases a year of significant narcotic traffickers with no effort and no added expense on the part of the Government if I had the authority to plea bargain with tax cases.

Senator **Rudman**. And in many cases, I suspect you would get additional information prior to that plea bargain being struck.

Mr. **Ethington**. Yes, and that opens the door to forfeitures, levies, civil penalties; we could get the IRS civil side in motion and recover some of the proceeds in that fashion. But that alternative is not available to me.

Senator **Rudman**. I ask Senator Nunn and Senator Chiles if they have any questions on the IRS and, if not, we will let him proceed with his statement.

Senator **Nunn**. Why is that option not available to you? What keeps that from being available?

Mr. **Ethington**. For me to do that, I would have to go through the Internal Revenue Service levels of authority, then over through the Department of Justice and back down again. If would take maybe a year or so, maybe 2 years.

Senator **Nunn**. That is internal—that is not a matter of law; that is a matter of practice.

Mr. **Ethington**. Internal. We have the trafficker ready to plead guilty, and I am in a position of telling him to come back 2 years from now and maybe I will have the authority. During those 2 years, he is going to be back out there.

Senator **Nunn**. Don't you handle tax offenses when they are brought?

Mr. **Ethington**. Yes.

Senator NUNN. You are handling them, but there are two different channels under which you get your authority?

Mr. ETHINGTON. I also handle tax cases brought by the Department of the Treasury but I have never, in the time that I have been a prosecutor, handled a tax case and a narcotics case together, except for this *Harold Oldham* case for the reason that a narcotics case happens very quickly. A tax case takes 2 years, maybe 3 years before an indictment can be brought.

Senator NUNN. What you are saying is that if there was some team-up at the top on these narcotics tax cases including a working relationship with Treasury and Justice, you could maybe prosecute both cases at the same time, get the plea bargain, and have the people meet jointly. By getting the authority back down to you, you would greatly accelerate the narcotics tax convictions, you could expedite the judicial process, and you could save the Government a whole lot of money and develop further information and possible civil fines.

Mr. ETHINGTON. Yes, exactly. That would be great.

Senator NUNN. And you are the same man who prosecutes both those cases anyway; are you not?

Mr. ETHINGTON. Yes.

Senator NUNN. So it is not a matter of turning prosecution over to some different group of people, it is a matter of having somebody in Washington work together at the top.

Mr. ETHINGTON. The way it works now is the Drug Enforcement Administration would disclose to an Internal Revenue Service agent information in my office regarding a narcotics trafficker. That information would go up through the channels, back down through the channels, and 2 years later that same IRS agent would come in to me and say, I have this tax case. We already heard about it 2 years ago. It is the same information. It just has to go up through the channels and back down again. It is unworkable. By that time, the narcotics trafficker is in the penitentiary, his assets have been disposed of, and the case is over with.

Senator CHILES. So what you really started off telling us, and now you have explained, is, you just try to stay away from IRS when you start into the prosecution of a case. You don't try to involve them.

Mr. ETHINGTON. I have had situations where an Internal Revenue Service agent is sitting here and a DEA agent sitting there, and they are both working on the same trafficker or violator. If the IRS agent is to tell me anything about the case, the DEA agent must leave the room because IRS cannot disclose to the DEA agent.

In the execution of a search warrant in this case in the lawyer's office, an IRS agent was present and gathered information, evidence, documents in the law office. Simultaneously, a DEA agent was going through the same file cabinet. The IRS agent could not tell the DEA agent what he found.

Senator RUDMAN. You certainly cannot accuse our criminal justice system of not being fair.

Senator NUNN. We are making it a sporting game.

Senator CHILES. Have you had a chance to look at the legislation Senator Nunn was talking about that we put on the tax bill and have introduced separately to try to correct this and allow the Internal Revenue Service to share——

Mr. ETHINGTON. I would be very anxious to see it.

Senator CHILES. You haven't had a chance to study it?

Mr. ETHINGTON. No, sir.

Senator CHILES. We would like to give you a copy of it and we would like to hear your thoughts as to whether you feel this would give you the kind of direction that you need so you can share this information.

Mr. ETHINGTON. We have a provision in the disclosure aspect of the Tax Reform Act that says I can gain the authority to get disclosure from Internal Revenue Service agents by going to a Federal judge and getting a court order, but before I can get that court order, I have to get authority from the Department of Justice. To get that authority, I must disclose the information that the Internal Revenue Service agent has that he is going to give to me but he won't give that to me until we get authority. So we are in a catch 22 situation.

Senator CHILES. IRS has the unique authority, do they not, for asset seizure so that if you did not have to turn away from them for this 2-year period of time as you go to the drug prosecution, IRS could go out there and seize the assets and the property before they disappear.

DEA doesn't have that same seizure authority; do they?

Mr. ETHINGTON. No, they do not. We welcome the help and assistance of the Internal Revenue Service if we could get them to work with us as a team.

Senator CHILES. This would be another very strong reason for having them in the case because they do have the seizure authority.

Mr. ETHINGTON. They could be of great value to us, but at the present time, they are not.

Senator RUDMAN. Mr. Ethington, why don't you now proceed with the rest of your testimony, and we can come back and ask additional questions, although it may well be that by the time you get through we won't have any.

So why don't you proceed?

Mr. ETHINGTON. According to the Internal Revenue Service reports I have received, about $20 million a week in cash or currency is being laundered through our area of the country into the Cayman Islands banking system and back into the United States. The concepts of this laundering procedure are very simple, but the mechanisms or procedures are as elaborate as the trafficker wants to make them. Anyone in the United States can engage in this money laundering or skimming operation by merely answering an ad in a newspaper and gaining the information on how to do that.

The problems of discovering this and prosecuting and investigating this type of activity are very complex and cumbersome. I was told by an Internal Revenue agent that if this case had not been originated by DEA, but had been originated by the Internal Revenue Service, itself, through audit procedures or even informant information to the IRS, that the case could not have been fully investigated and prosecuted successfully.

The IRS acknowledges to me freely that the only method of making a case like the one before us today is through undercover operations and effective use of informants. They cannot do it. IRS cannot make these cases through normal audit methods. They are just ineffective in this type of investigation.

What I would like to say, on conclusion, based on my experiences, is that it is my opinion that the efforts to investigate and prosecute participation in this underground economy that we have been stymied. There is no real genuine effort to investigate and prosecute this compared to the amount of traffickers that we have and the amount of money that is flowing outside the United States and then back in a laundered or washed fashion. And I don't really see any hope on the horizon, unless we can have new tools to work with and we can streamline the procedures and methods we labor under. On television, I am told, "60 Minutes" depicted the Internal Revenue agents as a collection of Gestapos. Just the opposite is true. They are eager to help, but restricted and ineffective.

As to the Drug Enforcement Administration agents, at the present time, although I know this is contrary to the presentation given to you just a few minutes ago, my perspective is different. I am down on the very lowest level in the trenches. The morale problem at the Drug Enforcement Administration today is so bad that we are not getting any investigation in the Texas area, in my opinion, at all. I used to have presented to me as many as two very good substantial cases a week. I am not having any presented to me now.

Senator **Rudman**. Why is that?

Mr. **Ethington**. Without being flippant the DEA agent doesn't know whether to come to the office with wingtips on and look like an FBI agent or wear his cowboy boots and try to work undercover.

They are in a state of limbo right now and they don't have any gasoline, or they didn't have any a couple of days ago.

Senator **Chiles**. You may be on 2 weeks leave.

Senator **Rudman**. What you are suggesting in a serious vein is that it is important that this administration make a decision in a very forthright fashion about what is going to happen to DEA and whether there is going to be essentially a suspension of any activity because of a moral problem.

Mr. **Ethington**. We have excellent agents out there that are right now drinking more coffee than they are investigating cases. I am sorry to report that to you.

Senator **Rudman**. You will read about that in tomorrow morning's paper, a statement like that, I can assure you.

Senator **Nunn**. I have heard the same thing of DEA agents in my State. They are demoralized. They don't know whether they are being punished. One of the most interesting things is that we have reorganized the drug effort in this country about five times. If you look at that and put it up on the board and chart the drug effectiveness and chart the reorganization, you find that everytime the effectiveness of our drug efforts reaches its peak right before the reorganization takes place, then dips down and goes down for about 2 years, 1½ years, 2 years, then it slowly starts coming back up, it gets to the peak again and we reorganize again. It has happened for the last 15 years.

Senator **Rudman**. You would say we could take bipartisan credit for that?

Senator **Nunn**. It is independent. Democrats or Republicans. It happens every time. I would certainly join with Senator Rudman in saying that whatever this administration is going to do they ought to do it, do it in the near term and let these DEA agents know and the FBI agents know what is going on.

I really personally think that if you merge the two you are going to have 3 or 4 years before you can sort anything out and have effective drug efforts.

Mr. ETHINGTON. We will have narcotic trafficking in Texas for the next 2 or 3 years like we have never seen it before. That is what we expect. As you pointed out every time the effectiveness level gets high, the reorganization takes place, and that is directly proportional to the number of cases that are presented to us and that are prosecuted. They have a good network of information. At the present time, they are laughing at us. The only thing that can make a trafficker really turn white is when we start talking about seizure and forfeiture of his assets. Putting him in the penitentary, and I have had this experience many, many times, does not faze him. That is a mere cost of doing business. But if you take his assets, you will turn him as white as that piece of paper. I have done it many times.

Senator NUNN. Is it true that they fear the IRS more than any other agency?

Mr. ETHINGTON. That is the best kept secret. If we can keep that secret, they have nothing to fear of the IRS at the present time but they don't know that. I guess they will know it tomorrow. [Laughter.]

The IRS means a jeopardy of their assets but under the present system our efforts are ineffective.

Senator CHILES. So really we get back to that 60 minute show and I happened to watch that. That show was correct on a level because if it was the businessman who simply couldn't pay his taxes, they are liable to tear him up, close him down. But if it is a narcotics trafficker, he is the one that doesn't seem to have any problem with his assets. It takes 2 years to get around to determine whether they are going to seize him. But they can make that decision just like that if it is a fellow that hasn't paid his taxes.

Mr. ETHINGTON. Yes.

Senator CHILES. Put the lock on the door.

Mr. ETHINGTON. We are talking about an industry of the United States. The IRS is conservative in their estimates, about $80 billion.

Senator CHILES. $80 billion. That is the $80 billion that is going out through the Caymans or somewhere else and coming back in and competing with a legitimate fellow that is trying to pay his taxes, is worried about the IRS putting the lock on the door if he is 2 weeks late. But that $80 billion that is coming back, no taxes are paid on that.

Mr. ETHINGTON. That is correct.

Senator CHILES. It is pretty easy to compete if you are competing with nontax dollars.

Mr. ETHINGTON. I have Internal Revenue Service cases, that I presently separate from narcotics cases that are in the nature of the mom and pop grocery store.

Senator CHILES. Right.

Mr. ETHINGTON. I have had that experience. It is continuing, yes.

Senator CHILES. You prosecute those cases—the mom and pop.

Mr. ETHINGTON. I am required to. I agree with your estimation and evaluation of it, 100 percent. That is what is happening.

Senator **Chiles**. So sometime about 1976, the IRS just made the decision it is more important to see whether that mom and pop is paying their money and whether the waitresses are reporting their tips than it is really to devote substantial part of our assets to organized crime and to these major traffickers.

Mr. **Ethington**. That has been my experience in 6 years of prosecuting.

Senator **Chiles**. I wanted to ask him if this is sort of similar to the ads that he is talking about. Would somebody hand that to him? I see this as a Caymans Island international tax and investment seminar, November 21 through 23, 1981.

Mr. **Ethington**. Yes. There are other ads similar to this; advertisements to attend seminars that will educate you on the simple methods of laundering money and the utilization of a tax haven.

Of course, if you are a legitimate businessman and might happen to have a legitimate purpose, fine.

Senator **Chiles**. But if you are a drug trafficker, you can take advantage of this same thing? Is that what you are saying?

Mr. **Ethington**. One of the tools that was used by the lawyer that set up the *Oldham* case, that set up the laundering procedures, was written up by him in an American Bar Association article on the Cayman Islands banking laws and methods. He utilized that as his display of expertise.

Senator **Chiles**. That was his entree to the traffickers.

Mr. **Ethington**. To the traffickers and they were duly impressed and it was printed by the American Bar Association.

Senator **Chiles**. This says we have assembled some of the top Government and professional people in the Cayman Islands as well as some of the best known investment advisers in the United States. So you get good advice if you go to one of these seminars.

Mr. **Ethington**. From the information given to me regarding this case, the Cayman Islands banking people are sensitive of criticism and they have just recently changed part of their laws to allow cooperation with foreign countries if it can be shown directly that their banking procedures are used in criminal activity in another country. That is brand new.

Senator **Chiles**. That is similar to what we have had with the Swiss for a long time and a number of other countries.

Mr. **Ethington**. Yes, sir. It is a start in the Cayman Islands. It has not been utilized yet.

Senator **Chiles**. Mr. Chairman, I would like to ask unanimous consent that that be entered.

Senator **Rudman**. Yes, this will be entered without objection.

[The information referred to follows:]

Bona International, The World Market Perspective and The First Cayman Bank & Trust Co. Present

The Cayman Islands

International Tax and Investment Seminar

November 21-23, 1981

Douglas R. Casey

Diego Veitia

Why the Cayman Islands? The country is undisputedly one of the leading tax havens in the world.

There is certainly a lot to recommend the country to the foreign investor. A British colony, it is considered the most stable country in the Caribbean. You won't find strikes, demonstrations, racial conflict or crime here! It has a small government with minimal powers — and no political parties.

It levies absolutely no direct taxes whatsoever (except a $10 a year head tax on residents.) It has what is considered the strictest secrecy law in the world. And, last year, it completely abolished all remaining exchange controls.

Here the foreign investor can operate in an atmosphere of stability and freedom.

So it is no wonder Cayman is booming. Over 300 banks for a population of less than 20,000. More telex lines per capita than any other country in the world. And a thriving real estate market, with a large resident population of expatriate workers, investors and retirees.

That's why we chose the Cayman Islands as the site for our First International Tax and Investment Seminar — Investing In and Through the Cayman Islands, November 21-23, 1981.

Investment Opportunities

Despite its size, in the Cayman Islands the opportunities are unlimited. At the seminar, you will learn how to use Cayman Island corporations and trusts to legally reduce or defer your U.S. taxes -- current income taxes and future estate taxes.

You'll learn about an alternative to high malpractice insurance premiums used by more and more doctors and other professionals. Again, perfectly legal.

You'll learn how you can take advantage of the banking services offered here: private, discreet and inexpensive. In these ways and more you can use the Cayman Islands in your personal tax planning.

There's more. The Cayman Islands also offer opportunities for the direct investor. There's a booming real estate market here. Some properties have appreciated by as much as 400 percent in the last two years. And there's good reason to believe that Cayman land will continue to produce solid profits. Why? Because the demand is there and with more and more turmoil in the world today, it is unlikely to go away.

Looking for an offshore residence? A place where you can spend part of the year, maybe retire in peace and tranquility? Cayman may be just the place for you. If you like sandy beaches, sunny skies and friendly people, you'll love Cayman. Both the government and people offer a warm welcome to the foreign investor.

What about the rest of the world? You'll hear about that too at our seminar. The U.S. economic outlook. World stock markets. Residence. And much much more.

The Program

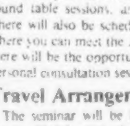
For the seminar, we've assembled some of the top government and professional people in the Cayman Islands, as well as some of the best-known investment advisors from the U.S.

Our keynote speaker will be Douglas R. Casey, author of the best-selling *Crisis Investing*. Doug will be summing up the program and "Looking Ahead."

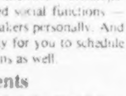
Among the other speakers and topics you'll hear:

The Cayman Islands: *The financial situation*, Hon. Vassel G. Johnson. *Real Estate*, Hon. J.M. Bodden. *Role of trust companies*, Bernard Knights and Colin Whitelock. *Legal aspects*, William S. Walker. *Captive Insurance*, Roger Corbin. *Building your home*, Arek Joseph. *A newspaperman's perspective*, Brian Uzzell.

International: *Tax planning*, Joel Karp. *World stock markets*, Dennis Hardaker. *International investing*, Diego Veitia. *Retiring in the Caribbean*, Peter Dickinson. *The best international opportunities*, Adrian Day. *The economic outlook*, Maryann Aden Harter.



Hon. Vassel Johnson



Adrian Day

Your hosts will be Bernard Knights of the First Cayman Trust Co., and Diego Veitia of the World Market Perspective Publishing Co., and Bona International.

At the seminar, there will be formal speeches, informal question-and-answer sessions, lively round table sessions, and intensive workshops. There will also be scheduled social functions — where you can meet the speakers personally. And there will be the opportunity for you to schedule personal consultation sessions as well.

Travel Arrangements

The seminar will be held at the Grand Caymanian Holiday Inn, the island's most luxurious resort hotel, right on world-famous Seven Mile Beach.

Less than 10 minutes away is Georgetown — restaurants, souvenir shops, duty-free jewelers, and the financial district — more than 300 banks jammed into one square mile! An incredible sight.

It's easy to register and attend the seminar. The package fee is $747 for the first attendee, $697 for the second sharing a room. Your package includes your seminar fee, and your hotel room for seven nights (November 19-26). PLUS a welcome rum swizzle party, coffee breaks, taxes and service charges and round trip airport-hotel transportations.

Airfare is extra. But we've worked out some very special fares for you. For example — from Miami, $119; from Houston, $209; from New York, $266; from Atlanta, $227. (Prices are round trip fares; they are subject to change.)

Dennis Hardaker

Peter Dickinson

If you prefer you may make your own travel and hotel arrangements, meeting us in Grand Cayman on Saturday, November 21st. The seminar fee alone is $400 for the first person and $350 for the second person.

Whether you plan to take advantage of our special hotel and air rates or just attend the seminar, our cooperating travel agency is there to assist you. To reserve space, please send a $150 deposit (non-refundable after October 8, 1981) to Transeair Travel, Dept. C103, 4710 41st St., NW, Washington, DC 20016. Or you may phone in your reservation; call the Cayman Island seminar coordinator, 202-362-6100, ext. C103. The balance will be payable by October 8.

If you have a legitimate business or investment purpose for attending the seminar, and that is your primary purpose for attending, you may deduct all your seminar expenses — hotel, air fare, seminar fee, meals. You should check with your own tax advisor about your personal situation.

We have strictly limited the number of people who can attend this seminar to no more than 150 people in order to allow maximum personal contact between attendees and speakers. We expect this seminar to fill very quickly, owing to the great attractions of the Cayman Islands. Since this is the first major international seminar to be held there, we recommend early registration to avoid disappointment. Why not call or write to register or receive more information today?

Cayman Islands Seminar Coordinator
Transeair Travel, Dept. C103H
4710 41st St., NW,
Washington, DC 20016
tel.: 202-362-6100

Senator RUDMAN. Senator Nunn, do you have any further questions of this witness?

Senator NUNN. No, thank you.

Senator RUDMAN. We want to thank you very much. Your candor before the subcommittee is appreciated. I intend to take the last approximately 7 or 8 minutes of your testimony which I think is a rather scathing indictment of the current situation at DEA and send it to the previous witness and also to the Attorney General with the request that they read their testimony because your testimony is untarnished, unsanitized, and I think quite accurate. We appreciate your being here this morning.

Mr. ETHINGTON. Thank you, Senator.

Senator CHILES. Send it to the White House coordinator, too.

Senator RUDMAN. We call as our next witness, Mr. Harold Oldham. Mr. Oldham has agreed to testify before this subcommittee under a grant of immunity. According to subcommittee, it has obtained a court order providing Mr. Oldham with this immunity. The Department of Justice has indicated it has no objection to this procedure.

At this time, I would like to ask Mr. Oldham if he understands that this court order requires him to provide information in response to questions of this subcommittee.

Mr. OLDHAM. Yes, sir, I do.

Senator RUDMAN. Without objection, I will have that court order entered into the record.

[The document referred to was marked "Exhibit No. 8," for reference, and is retained in the confidential files of the subcommittee.]

Senator RUDMAN. Mr. Oldham, if you would rise, I would like to give you the oath required of all witnesses before this subcommittee.

Would you raise your right hand?

Do you swear the testimony you are about to give in the course of this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. OLDHAM. Yes, sir, I do.

TESTIMONY OF HAROLD OLDHAM, PRIVATE CITIZEN (CONVICTED TRAFFICKER)

Senator RUDMAN. I would like to advise the members of the subcommittee that Mr. Oldham has a rather involved testimony and if at all possible we would like to get his summarized statement for the record.

Senator NUNN. Mr. Chairman, that is the nicest way I have ever heard of you telling us not to interrupt. We understand and we will so obey.

Senator CHILES. We certainly will.

Senator RUDMAN. You may proceed.

Mr. OLDHAM. I would like to preface my statement with the fact that I am a bit nervous in this circumstance. So excuse me if I stumble while speaking.

Senator RUDMAN. We appreciate your being here this morning and you really don't have anything to be nervous about. We appreciate your willingness to testify and we are going to be interested in what you have to say. Your entire statement will be incorporated into the record. You may take your time and summarize it and then we will ask you a few questions.

You may proceed.

Mr. OLDHAM. Mr. Chairman, in December 1977, I was arrested by the U.S. Drug Enforcement Agency and was subsequently convicted and sentenced for narcotics trafficking. I am currently serving my sentence in a Federal penitentiary.

I consider it a real privilege to assist you in fighting this problem of which I was once a part. I am grateful for being able to publicly demonstrate the life-changing effects that Jesus has had on my life and to help right the wrongs that I have done.

It is painful for me to regurgitate this evil in my past, but in doing so I hope it will help to solve this problem. I hope that in the future I will be able to have as much of an impact on the side of good as I had on the side of evil.

I would like to briefly describe how I got into narcotics trafficking and more, particularly how I used Shell companies in the Caymans to launder my profits. I emphasize that this is my story and is not meant to address the activities of others.

In 1970, I had my own ad agency, three cars, a very nice house with a swimming pool, and was making around $18,000 a year. I was 25 at the time. However, for whatever reasons I was not happy and began looking for a solution. I found that solution, I though, in marihuana. I began smoking two or more joints an evening. Shortly thereafter I sold my ad agency to a large ad agency and eventually quit working for the ad agency altogether.

In effect, I dropped out. Marihuana did not make me happy but it certainly completely changed my outlook on life. I decided working was not worthwhile and preferred to embark on a life of what I thought was adventure. I traveled to Europe and Morocco for a period of approximately 6 months after I quit work. In Morocco I began using hashish heavily.

I returned to the United States and began traveling throughout the country visiting friends and acquaintances whom I had met while traveling in Europe. As I traveled about visiting these friends I discovered that several of them were drug dealers and among these was a major distributor of mescaline.

At first, I only intended to buy a small quantity but this distributor would not sell anything less than 1,000 doses. I reluctantly agreed to buy a thousand, not sure what I would do with the excess. I soon discovered there was a big demand and I had a source. I found myself returning to my distributor many times eventually buying up to 25,000 pills at a time and often returning two or three times a week for a resupply.

During these many trips between the Midwest and the east coast, I discovered the true profit potential of importing hashish. I discovered that hashish was much in demand in the United States and would wholesale for $2,000 to $2,500 per kilogram. I knew that my cost in Morocco would be $80 a kilogram.

It was a high profit. I therefore planned to start importing hashish from Morocco under the guise of numerous sham importing companies.

I started smuggling in drugs with a capital investment of approximately $300. Over a period of 3 to 4 years I turned this $300 into close to $1 million in earnings.

On returning to Morocco, I took my time learning as much as possible about local customs and business procedures. I eventually engaged in smuggling hashish to this country and to certain European countries. I started small with three kilos and as I developed expertise and confidence, I executed numerous smuggling operations up to 200 kilos at a time.

Once I had determined the ins and outs of exporting hashish from Morocco, I devised methods of importing it into the United States. Basically, I formed separate paper companies for each smuggling operation.

One of my methods of smuggling from Morocco was that I would purchase large quantities of merchandise including clothes, handicrafts, and particularly camel stools.

I would conceal the hashish in several of the camel stools wrapped in several layers of plastic which were laced with black pepper and baby powder to conceal the odor.

Even if my shipment was opened by customs in the United States, the chance of them discovering my hashish in such a large assortment of goods was remote. In fact, they never did.

I would have the shipment picked up in the United States by a Girl Friday, and delivered to me in different locations. The Girl Friday would, of course, be one of my U.S. associates. I would create a cover for her by advertising for a Girl Friday in the local newspaper. She would be one of the many applicants.

If she were arrested with the shipment, she could prove she was an innocent party who had been hired from an advertisement several days previously. She would also have documents, letters, et cetera, from the paper company with appropriately professional logos on them.

In this fashion, I managed to import a significant amount of hashish into the country undetected for several years. In fact, I had so many imports from Morocco that I eventually established several retail outlets to dispose of those goods. Peace River Trading Co. was an umbrella company for these retail outlets of which Mad Hatter Imports, Inc., was one.

My distributors tried to get all of my hashish distributed within 3 weeks. My distributors were primarily in Washington, D.C., though I also had distributors in South Carolina and California. I would move the hashish from my import location to my distributors by various methods including commercial airline courier packages. I also had the sales proceeds sent to me by the same method.

As a result of my numerous smuggling endeavors I had significant amounts of profits which I needed to legitimize. I contacted an attorney and asked him if he knew of any way I could account for this money if challenged.

My primary concern was to hide the fact that the money was narcotics profits. The first scheme we came up with was to set up a phony loan agreement which showed that I had borrowed $30,000 from Mideast Overseas Investment. This was later changed to reflect a capital investment instead of a loan.

My attorney through his various contacts was then introduced to the use of Cayman Island shell companies as a better method to wash funds. During my stay in South America, I had also heard of the Cayman opportunities and my attorney's information corroborated my own information.

As my earnings increased and it was obvious that something needed to be done, my attorney went to the Caymans to see if I could discretely use the services. He spoke with several managers there and selected one. We were surprised to find that the island flourishes on secrecy and they are very happy to accommodate whatever the needs of the clients might be.

Subsequently, we formed Esmeraldes y Mariposas and after being assured by my attorney that there would be no problem I made my first trip down with a briefcase bulging with $100 bills. I discovered that the Caymanian customs officials provide curtained booths for examined luggage of those who request privacy.

On that flight and several subsequent flights, I speculated that at least half of the aircraft passengers were evading taxes. I made several other trips, laundering my money and also offering a laundering service to a few associates who also needed to disguise their source of income.

I tried to get paid by my distributors as soon as possible. What money I didn't spend on extravagant living, I handcarried to the Caymans for laundering or put into my U.S. bank accounts in less than $10,000 amounts. During this period I normally carried $10,000 to $15,000 in pocket money with me though at times I had up to $100,000 on me. I never had a problem with the U.S. currency laws.

I continued my hash import business for several years during which and after which I spent an extensive amount of time in South America. I traveled to South America on my company's expense, as I was interested in cocaine and was considering setting up an operation similar to my Moroccan operation.

The minute I got off the plane in South America I was inundated with propositions of cocaine. The busboy wanted to sell me some. The cab driver tried to interest me. Virtually everyone I met wanted to turn me on to cocaine. It got ridiculous. I must have been approached by over 100 people like this in one week. I even attended a division governor's party in Colombia. He had cocaine available. The supply and usage of cocaine in many circles in Colombia is similar to the supply and usage of alcohol in the United States.

While in Colombia it became apparent that a significant number of airline stewardesses and pilots trafficked in cocaine. For instance, I was approached by a pilot in Central America who made it no secret that he wanted to get into the business.

I eventually made a connection with an American in Colombia and set up a deal. I mailed several letters into the United States with small amounts of cocaine in them. These would be mailed to a phony name at a legitimate address. The people at the addresses would not open the letters for several days in case they were suspect. That way if DEA showed up they could plead ignorance. This by the way, is a very common practice.

It took me weeks of false starts to get my first actual import off the ground. I eventually received a small amount of cocaine that had been brought in by an airfreight pilot. Several weeks later, he was killed in a crash and I basically gave up on smuggling cocaine as it was not only more trouble than it was worth, but was dangerous.

While I was in Morocco, I met a rock star with a major rock group. Through my contact with him I came into constant contact with many of the major rock and pop groups in the United States and Great Britain. My association with these groups led me to the formation of Startrans, a company I set up for the purpose of renting luxury buses to these groups while they were on tour. Startrans was a legitimate U.S. company and business, though it had been capitalized by significant amounts of narcotics money which had been laundered through the Caymans.

I can regretfully state that the use of drugs was pervasive throughout many major music groups during the period I was associated with them—1974–77. Cocaine and other drugs were everywhere from the musicians to their equipment handlers. During this period, I attended numerous parties in Hollywood and on the road. Most people associate wet bars with organized parties. At these parties, trays of cocaine were as common as wet bars. Rent-a-cops were hired as bouncers but served as insurance against drug raids.

Several of the groups had physicians traveling with them who would liberally distribute pills—controlled substances to anyone in the troop who wished them. It became a common sight on the chartered flights taken by these groups and elsewhere for the physicians to set up shop. As soon as the plane took off, members of the troop would literally line up at his shop for pills.

I might add that heroin, though not as prevalent was readily available from hangers-on within the entourage, and several of the major musicians were heavy addicts.

I mention these incidents, not to be sensational but to show that cocaine and pills are absolutely everywhere.

I have prepared a chronology of events that reflect the significant steps we took during this period to wash funds for both me and my associates. That chronology is attached to my statement.

As the chronology indicates, the Caymanian company we formed washed almost a half a million dollars over a period of several years for my companies and those of my associates. The method we used to do this, though it sounds involved, was really quite simple. If I may refer you to the blue chart and walk you through the system step by step it may make the explanation easier.

The funds that we—excuse me.

The first step was in contacting a manager in the Cayman Islands, one who could establish a company for us there. The companies there, by the way, are secret companies. There is no record of who owns these companies. Once we had the company in the Caymans established, it was a matter of transporting the funds from the United States to the Cayman Islands where the manager would take us around to the various banks and negotiate with them the percentage that they would charge for accepting large amounts of cash at that particular time.

The system we used was simply to convert cash into cashiers checks and to then bring the cashiers checks back into the United States and deposit them into our corporate accounts.

This substantiated the fact that the funds came from an overseas source and we documented it with loan agreements and correspondence to make it appear that these were very legitimate loans.

In this manner, if we ever were challenged, and the great fear was being challenged by IRS, if we were ever challenged by IRS as to how we came by our assets, we could show substantial documentation to the fact that it had been borrowed by an overseas company. This, of course, the Cayman Islands, is a brick wall, that is impenetrable by IRS. They would have had no choice but to accept our documentation. The funds, when they came back into the United States and were deposited into our bank accounts, were used for various normal purchases: Salary expenses, automobiles, these sorts of things. In some cases, they were used as capitalization for companies, in some cases they went specifically for extravagant living or company expense accounts, these sorts of things.

An integral part of this seemingly elaborate scheme was to insure that the cover correspondence and documents were accurately prepared.

For instance, any correspondence coming from our Cayman contact was actually composed simultaneously along with the entire series of correspondence between the two companies and then his part was prepared by him on Esmeraldesy Mariposas stationery on his typewriter.

Should the IRS ever go to such lengths, we would have been able to supply typewriter exemplars to corroborate the fact that these were actual loans made from the Caymans. Likewise, any correspondence we sent from our company to the Caymans was prepared in our office on our stationery and mailed to the Caymans.

Bear in mind that all of this correspondence might be made up on the same day and even mailed on the same day. Again, if we wished to carry the charade to its extreme we could wait several months between mailings and save the envelopes and appropriate postage marks. Some people may feel that all this is necessary but hindsight tends to indicate that it is not necessary at all.

It is interesting to note in retrospect that we were absolutely paranoid of the Internal Revenue Service. I assumed that they had every single plane going in and out of the Caymans monitored and that they had undercover agents everywhere in the Caymans, in Florida, and in Texas, watching the various flights. I also assumed that they would minutely inspect every piece of paper revolving around any of these transactions. For these reasons we seemed to perhaps go to extremes in our documentation and in our efforts to wash these funds. Knowing what I know now, I could say that much of what we did was probably unnecessary.

Once the money gets to the Caymans, it is apparently completely lost to the IRS and only minimal documentation would be necessary to erect the brick wall that exists in the Caymans.

Later in my dealings, I set up accounts with the Cayman branches of Barclays Bank and the Bank of Nova Scotia. Both of these accounts were in the name of Esmeraldes y Mariposas, though the passbook I received had only an account number on it.

Thus, even if I made a large deposit into the U.S. branch of these banks any currency form filled out would reflect only a number, and not the company name or my name.

It does not take a very sophisticated person to open up a company like this in the Caymans or to wash funds through the Caymans. Esmeraldes y Mariposas consisted of a stack of stationery and a file folder in our Caymanian representatives office. He had several hundred such file folders representing several hundred such companies at the time we were doing business with him.

I would assume that his business has grown since then. Our Caymanian contact told us of numerous U.S. citizens with whom he did business, though he named no names. He also mentioned that he serviced several major U.S. corporations.

I might add that he stated in his opinion and in his experience, virtually all the money transiting the Cayman Islands is doing so for tax evasion purposes. His clients were certainly not exclusively narcotics people but also major entertainers, professional people and multinational companies, et cetera, and the same he felt held true of clients of his fellow Caymanian corporate representatives.

Our Caymanian contact did not hesitate to state that the Caymans were inundated with drug money, organized crime money, money skimmed off legitimate businesses, including large corporations and other illegally gotten gains. The banks even complained of the problems associated with handling large amounts of cash.

In closing I would like to make several recommendations:

It is my belief that attacking drugs in the United States, going after the distributors, large or small, may not be the most eficient way of stemming the drug flow. Distributors are a dime a dozen and are quickly replaced, as it is easy to become a distributor. You know someone who knows someone, et cetera.

Becoming a successful smuggler is much more difficult; at least for hashish and cocaine. It took me months to become proficient at smuggling hashish. I know several people who were caught during the learning process. The only place I felt truly vulnerable was in Morocco. There I stood out as did most other smugglers. I could pick them out in a crowd and so could DEA if they were there.

If you take one smuggler out, it destroys his entire network, including his many distributors.

In fact, I felt so vulnerable in South America that I never really got into large scale cocaine business. Thus, it is my opinion that smuggling operations should be attacked primarily at the source, overseas, where the smugglers are most vulnerable.

Second, I think this country's present sentencing practices with respect to nonviolent criminals make more criminals than they reform. I would take the nonviolent first offenders and sentence them to 3 months in a medium security prison with the balance of their term dedicated to community service with them on a short leash and a big hammer—threat of extended incarceration.

I would let them know at sentencing that if they were ever convicted again they would be facing years of hard time with no parole.

This would give them 3 months to consider whether or not their future activities would be worth spending a lot of years doing hard time.

I think this would scare the nonviolent first offender enough to keep him away for good, yet wouldn't expose him to the prison university that tends to make hardened criminals.

While I was a drug user, I was enveloped in the fog of illusion and delusion—I really thought many drugs were not harmful and I advocated their use. Having now gotten away from drug usage and being able to see clearly I realize how devastating they really are. I am firmly opposed to them and feel that an education program is necessary for those who are now caught up in drug use. A program that would teach the truth about the harmful effects of all drugs.

In summary, I would hope that our country will turn from the "new morality" and I pray that the United States will return to being a country "under God."

Senator RUDMAN. Thank you, very much, Mr. Oldham.

We have some questions for you. Maybe you would like to take a drink of that water before we start.

One of the things that interests me about your testimony is the freedom of movement that you seem to have in and out of the country, Caymans and so forth, South America, particularly in terms of the U.S. Customs.

Were you ever challenged by U.S. Customs when you came back into the country?

Mr. OLDHAM. In that regard, from the Cayman Islands, no, sir. However, I think I may have been identified as a suspected narcotics trafficker in the Customs computers. Therefore, they would examine my luggage heavily and this sort of thing, coming back into the country. But I was never challenged going or coming to or from the Cayman Islands.

Senator RUDMAN. When you left this country, did you ever go to the Caymans when you were carrying large amounts of cash?

Mr. OLDHAM. Yes.

Senator RUDMAN. Was there ever questioning by anyone.

Mr. OLDHAM. No, sir. At that time the primary access to the Caymans was through Miami Airport and the flights to the Caymans left out of gate No. 1. Gate No. 1 was the only gate at the Miami Airport and to my knowledge almost any airport in the United States that did not have metal detecting devices or any security of any kind. Gate No. 1 was before you would walk through the inspection area. I cannot explain this. I only know that at that time it was easy just to walk from the ticket counter onto the aircraft without any examination of any kind.

Senator NUNN. That was Miami?

Mr. OLDHAM. That was at Miami Airport. Again, this was from 1974 to 1977.

Senator RUDMAN. You went to great lengths in attempting to launder funds, in fact and you set it up fairly easily.

Did you have any financial background or accounting, legal background yourself?

Mr. OLDHAM. No, sir. I was concerned. I had a fear of the Internal Revenue Service and wanted to have, I wanted to be able to say where the funds came from if challenged.

I did not have any expertise and it doesn't require any sophistication or expertise to do this. It is simply a matter of going to the Caymans and contacting a corporate representative there who for approximately $600 will form a secret company for you and explain the ropes or of course you could go to one of these seminars and learn the same thing. It is quite simple.

Senator **Rudman**. I understand that you really didn't have a Cayman bank account, that the money really traveled to the Caymans and back almost in one smooth movement; is that correct?

Mr. **Oldham**. I initially did not have a bank account. I would fly down in the morning with cash. The corporate representative would meet me at the airport and take me to his office. We would contact the various banks to find out what their going rate was that day to convert U.S. currency into cashier's checks and we would bring the money to the bank and convert it to a cashier's check.

I would then fly back the same day with the cashiers check. I took the money down but I brought it back in another form the same day. I did not leave my money there. Many people do. But I did not.

Senator **Rudman**. How much money did you launder in all?

Mr. **Oldham**. Roughly half a million dollars.

Senator **Rudman**. Over a period of how long?

Mr. **Oldham**. Over a period of about 2 years, I believe.

Senator **Rudman**. Prior to your arrest in 1977, had you been audited by the Internal Revenue Service in any way—any corporations ever audited?

Mr. **Oldham**. No, sir.

Senator **Rudman**. You testified you knew you were in the Customs Immigration computer as a suspect. How did you learn that?

Mr. **Oldham**. Because I made many many trips. I probably had something like 40 to 50 entries into the United States a year. I did a great deal of extensive travel. When they punch your name and number, date of birth or passport number into the computer, their reaction is such that you know you are being detained slightly and they sort of ring a bell, call somebody over to go through your luggage more thoroughly than normal.

Senator **Rudman**. But when you shipped goods back from Morocco and other places, in whose name were those goods shipped?

Mr. **Oldham**. Because I knew that I was in the computer, at least I never used my name or any company with which I had been associated because I feared that there might be some kind of alert. Rather, I always just made up a legitimate sounding company name and used that name on all the shipping documents. There was no previous association or subsequent association to tie me to that name.

Senator **Rudman**. What would you use for an address?

Mr. **Oldham**. I made up the address, in whatever city I wanted to send it to.

Senator **Rudman**. How would you eventually collect those goods?

Mr. **Oldham**. Sir, I had contacts with, for example, in the advertising agency business; I had contacts with graphics designers who would do complete corporate graphics, including logos, stationery, business cards—all sorts of things to substantiate a legitimate company. This graphic designer did not know that he was doing something illegally.

He thought I was representing, you know, a new company in a new area. But I would have elaborate stationery printed up and letters, letterheads, and so on, and use this on contact customs clearance brokers. I would then have a representative function as an employee of that company, working with the customs clearance houses to retrieve the goods from customs.

Senator **Rudman**. The goods would be coming into customs, they would be at customs, your representative would go down, clear them with the customs agents down there through the broker and simply take them to wherever you were.

Mr. **Oldham**. Yes; that is right.

Senator **Rudman**. In your recommendations at the end of your statement, you make a point which I think most of us agree with here—that the distributors are just too numerous to effectively stamp out.

One of your suggestions is that perhaps we could do more about smuggling and if we could essentially stamp out the source, we might do a much more effective job. As one who did it rather successfully over a long period of time, would you like to make some suggestions to us this morning as to how you could have been stopped more effectively considering the means that you used which I assume were not that unique.

I assume they were used by many people.

Mr. **Oldham**. Yes, sir. Once I was back in the United States, for example, having people clear goods through customs or whatever, I was well insulated and felt that my goods were protected and safe. The only place that I really felt vulnerable, sir, was at the source, going there to make a buy, and arranging the shipment on that end.

I know from observation there, that I kind of stood out like a weed in a flowerbed, if you know what I mean. I really didn't belong there. There is no other reason to be at those places. I personally observed many other people who were in the same business. I think if DEA agents were working in these countries, they could spot these weeds in the flowerbed as it were, and institute investigations as to how they might be shipping their goods back and intercept them in this manner.

Senator **Rudman**. So what you are saying is, it is your belief having done this successfully that had DEA had such people on site in these various overseas locations that it would not have taken that much investigation to in fact determine what you were doing?

Mr. **Oldham**. Yes, sir; that is correct. It would have been—that was the place that I felt most vulnerable, the place that I really stood out. Once back in the United States, I blended in—but there I stood out and it was obvious.

Senator **Rudman**. Senator Nunn.

Senator **Nunn**. Did you use the mails primarily? It sounds as if you used the mails in order to get your narcotics into this country?

Mr. **Oldham**. No, sir. I used the mail a little bit. I mentioned that, particularly small quantities of cocaine, but as far as the hashish trade from Morocco, I used primarily air freight for large quantities of merchandise. And these came by air and were cleared through customs.

Senator **Nunn**. Do you believe that would be the normal vehicle through which most hashish comes into this country?

Mr. **Oldham**. That is certainly one method. Other methods are using automobiles, for example, or motor homes, those sorts of things, concealing hashish in them, shipping these vehicles back. I knew of other methods at that time, of people using yachts and private airplanes.

Senator **Nunn**. Did you ever use any kind of boats to come in, separate boats to come in and bring goods?

Mr. **Oldham**. Yes, sir; I cooperated in some efforts of that nature.

Senator **Nunn**. Would a law allowing the military to furnish intelligence on boats and planes coming in to domestic law enforcement have any appreciable effect in your view?

Mr. **Oldham**. I can't really speak to it directly because I was only a small cog in another organization, as far as the yachts were concerned. I am not familiar with exactly what problems are encountered with aviation and nautical detection. But I know personally that there are many, many yachts and airplanes that come in certainly weekly and probably daily full of all kinds of commodities. They are not being detected now. I don't know what it takes to detect them but I know they are getting through.

Senator **Nunn**. Where were you arrested?

Mr. **Oldham**. I was arrested in Miami.

Senator **Nunn**. What was the charge?

Mr. **Oldham**. The charge was conspiracy to distribute cocaine and defrauding the U.S. Government—a couple of other charges related to those. Defrauding the U.S. Government was involving the Cayman Islands.

Senator **Nunn**. Who made the arrest, not the name of the individual, but what law enforcement agency?

Mr. **Oldham**. DEA.

Senator **Nunn**. How did they go about finally detecting your scheme? What was the breakthrough?

Mr. **Oldham**. Sir, as the previous witness testified a female informant brought the DEA in and they introduced themselves to me. I did not know they were DEA agents and they developed a friendship with me over a period of 1½ years, 2 years, establishing confidence and trying to get me to involve myself with them or them with me. During this period of time they discussed with me the fact that they had a problem, they had large amounts of cash that they did not know how to legitimize. This is how they came to infiltrate the Cayman situation because as friends I provided a laundry service for them.

Senator **Nunn**. Did you have to post bail, did you get out on bail?

Mr. **Oldham**. Yes, sir.

Senator **Nunn**. What was the bail the first time you were arrested?

Mr. **Oldham**. It was much higher, originally, but I was actually released on a $70,000 bail.

Senator **Nunn**. Did you have any trouble posting that?

Mr. **Oldham**. No, sir. I used a bail bondsman.

Senator **Nunn**. Did you comply with the conditions of the bail? Did you appear for trial?

Mr. **Oldham**. No, sir. I did not. I subsequently fled the country 2 or 3 months later but prior to sentencing.

Senator **Nunn**. Was this after the trial but prior to sentencing?

Mr. **Oldham**. No.

Senator **Nunn**. Before trial?

Mr. **Oldham**. Before trial. Yes.

Senator **Nunn**. You fled the country?

Mr. **Oldham**. Yes.

Senator **Nunn**. You left your bail bondsman with a $70,000——

Mr. **Oldham**. No, sir. Two points there. At a subsequent hearing my bond was reduced from $70,000 down to $10,000. I was out on bail but it was further reduced. At that point, I put up $10,000 in cash and retired the bail bondsman from the situation. Quite frankly I was very much afraid of having the bail bondsman looking for me as well as the U.S. Government.

Senator **Chiles**. You are more afraid of the bail bondsman than the U.S. Government?

Mr. **Oldham**. That is true. However, in my particular situation I had been making a lot of money and in riding the crest of that wave as it were, I felt it would never end. I squandered most of my money as it came in. At the time of the arrest, with the attorneys' costs and the $10,000 and so on, I really am not a typical case in that I had squandered most of my money, really did not have that much in assets.

Senator **Rudman**. You went through the million dollars in roughly 4 years?

Mr. **Oldham**. Yes, sir.

Senator **Nunn**. Do you believe that our bail laws on narcotics violators needs some revision?

Mr. **Oldham**. Yes, sir. I do.

Senator **Nunn**. Do you think they are too light?

Mr. **Oldham**. I think they need to be considered on an individual basis, certainly in my case it was too light. Yes, sir.

Senator **Nunn**. You mentioned about nonviolent convicted felons not being put into the penitentiary on the first conviction but rather in some work program with strong penalties if they breach the conditions of their probation, so to speak. Do you include in the term nonviolent major drug dealers?

Mr. **Oldham**. I think there should perhaps be a redefinition of "major," meaning the true involvement of the people. No, sir. I would not necessarily include major—I would not include what I would call major narcotic traffickers.

Senator **Nunn**. Would you include, for instance, yourself in that category? Do you think that justice would have been better served, there would have been less chance of repetition of crime if you had not been sent to the penitentiary?

Mr. **Oldham**. It is a very difficult question to address. And my recommendation of course was primarily toward people in a less involved situation than mine. I feel that I definitely needed incarceration for a period of time. I think actually that if I had had exposure, as a first-time offender, if I had exposure to a very severe prison situation, in effect scared straight and released on what I called a short leash, this would be close supervision, and involvement to try to be constructive toward society, in my particular case I know it would have worked although I am not saying that I would necessarily, I am not trying to qualify a person in my position.

Senator **Nunn**. What is your sentence?

Mr. **Oldham**. I received a 10-year sentence.

Senator **Nunn**. How long have you served?

Mr. OLDHAM. I have served 2 years.

Senator NUNN. You testify here that you have taken a real interest in religion since you have been in the penitentiary?

Mr. OLDHAM. Yes.

Senator NUNN. Is that what has changed your life more than anything else?

Mr. OLDHAM. Absolutely, sir. It is not a question of rehabilitation because, to my mind, rehabilitation means to make you what you were before and it is kind of what the prison system does, only it makes people better criminals than when they came in.

I went through a rejuvenation where I truly became a new individual inside.

Senator NUNN. Without getting into all the details of that, what led you to make that decision?

Mr. OLDHAM. A desire to straighten my life out. Without getting into the details, I would say that during all of this involvement, you noticed that when I started my statement out I had a degree of success as a young businessman. I wasn't happy. I sort of had been promised there would be some sort of fulfillment when I achieved financial success. It wasn't there. I later discovered what I was missing was the spiritual fulfillment, a relationship with God, as it were. That was missing. This sort of caused me to run desperately trying to find fulfillment in other things, which involved drugs, seeking adventure, this sort of thing.

Senator NUNN. When you were taking cash out of the country, did you believe that that was one of your points of maximum exposure?

Mr. OLDHAM. I was not concerned—it was a point of exposure, yes, sir. I was very concerned about the agents monitoring who was on the flights out, that sort of thing.

Senator NUNN. But you were never searched going out of the country?

Mr. OLDHAM. No; but I don't believe that they were not compiling a dossier on people going out. I was very careful initially in that I really didn't want to go down, expose myself. I had an attorney going down as a cover for me.

Senator NUNN. With the money?

Mr. OLDHAM. No, sir. I subsequently took the money down after he made the trip and assured me there were just no checks or detection of any kind.

Senator RUDMAN. You have been sentenced to 10 years and you served 2. When will you be eligible for parole?

Mr. OLDHAM. I will be eligible in 2 years, roughly 22 more months. If I may just speak a little bit, I have seen a lot of people while I have been in prison for 2 years. Obviously that has been my only association. I have seen an awful lot of people come in on relatively minor offenses, not speaking of major narcotics traffickers but relatively minor offenses doing a year, 18 months. They have a degree of remorse. They come into prison. They are put into a very lenient situation—camps, this sort of things. Through exposure to repeat offenders, they begin to learn other types of crime, things that they have never been exposed to and they began to hear how easy it is to get away with things. I think this is a mistake, that it would be better to put these sorts of offenders for a short period of time in a real prison situation, where they really see how bad it can be and then give them an opportunity to set their life right. I think that the prisons now have very little rehabilitation. I frankly wish there were more emphasis on spiritual development in this country, and in the prison system.

I think this is the only answer. In our education systems and so on, we dwell on physical fitness, education, and intelligence growth, but we seem to be restricting a great deal of religion.

Senator NUNN. Do you believe on the currency situation, that most of the narcotics profits that accumulate at the higher levels are taken out of the country in the form of cash and brought back in another form or do you think a large portion of that cash simply never leaves this country?

Mr. OLDHAM. I think a large part of it goes out of the country, some of it stays out of the country in a number of bank accounts and so on, overseas. Many of the major traffickers are resident of several countries and own residences in many places and jet about quite freely. Many of their assets would be in other countries.

Senator NUNN. Did you fear the IRS more than any other branch of enforcement?

Mr. OLDHAM. I certainly feared them, yes sir. I felt I had more exposure to IRS than any other.

Senator NUNN. You took more elaborate percautions to guard against IRS than any other?

Mr. OLDHAM. I took very elaborate precautions to guard against U.S. Customs and DEA also.

Senator NUNN. Don't you feel nervous when you are carrying a briefcase full of money out of this country? It seems to me that would be a point of great exposure?

Mr. OLDHAM. Because I have been assured by my attorney that there was no exposure when I went the first time, I was a little bit worried, but on subsequent trips, I realized that there was nothing to it. No, sir, I did not really fear that.

Senator NUNN. Thank you.

Senator RUDMAN. Senator Chiles.

Senator CHILES. Even though your final distribution sites were in Washington, D.C., South Carolina, and California; south Florida seems to be a major point of entry? You end up getting arrested. Why is south Florida so vulnerable and what if anything can be done to discourage this? Why is all of the action taking place in south Florida?

Mr. OLDHAM. I suppose probably because of the proximity to South America. Most of the activities in Florida, of course, flow from South America, cocaine, marihuana. Because of the proximity to Florida, I would say, but I think this is a problem that is also moving, if enforcement is stepped up in Florida, activities are going to increase along the other parts of the gulf coast.

Senator RUDMAN. Senator Chiles, if I might interrupt, I will ask Senator Nunn to take over the chair. I have to go down to an Appropriations markup and will return.

Senator NUNN [presiding]. Your time is up. [Laughter.]

Senator Chiles. You have become very confident in the secrecy of the Cayman Islands banking operations. What changed your confidence and did anyone—tell me that? What would it have taken to change that?

Mr. Oldham. Sir, I would think that the only effective way would be through new legislation that would enable a lot closer look at individuals using the Cayman Islands. For example, individuals like myself or my companies, had they been audited and had documents to prove loans or capitalization from a Caymanian company that couldn't be checked out; that should wave a big red flag and cause some kind of microscopic examination.

Senator Chiles. Did anyone over in the Caymans that you came into contact with have any concern about the United States getting tough on the offshore banking operations?

[At this point, Senator Rudman withdrew from the hearing room.]

Mr. Oldham. No, sir, the emphasis there was to me that there are no tax laws in the Cayman Islands other than a $10 per head individual tax. There are no tax laws there. Therefore, they don't recognize tax laws in any other country as being valid. They say that they will not change those attitudes. In other words, I am not sure I am answering your question.

Senator Chiles. I just wondered if they had any concern that we might—obviously they like the way the operation is going. It must be something that they figure is very profitable for them.

Mr. Oldham. It is a major industry in the country obviously. They have no intention, very emphatically, no intention of loosening their secrecy laws. This was their attitude when I was there.

Senator Chiles. That is all. Thank you.

Mr. Oldham. I would just like to add that I happen to deal with the Cayman Islands. There are a number of other offshore tax havens that are very similar.

Senator Nunn. Could you tell us what those are as far as your knowledge of them?

Mr. Oldham. I don't have personal experience with them, but just exposure to advertisements and so on. I know of course that there are a number, Liechtenstein, the Bahamas. I am sure actually you would be more familiar than I am with them. I don't have first-hand knowledge. But I just don't see the Caymans as the only place in the world doing this.

Senator Nunn. Mr. Oldham, we appreciate very much your cooperation.

Senator Chiles. The testimony is very helpful.

Senator Nunn. We know it is difficult to come forward and be frank and candid like this. But we wish you well and we hope that you will indeed repay society in the future some of the things you detailed here and you certainly display an attitude that reflects a determination to do just that.

We thank you for your cooperation with the subcommittee.

Mr. Oldham. Thank you, Senator.

Senator Nunn. Our next witness is Deputy Chief David McKeon, Narcotics Division and Dangerous Drugs Section, Criminal Division, U.S. Department of Justice.

We swear in all witnesses before this subcommittee.

Do you swear the testimony you give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. McKEON. I do.

Senator NUNN. I understand you have a statement. Why don't you proceed.

TESTIMONY OF DAVID J. McKEON, DEPUTY CHIEF, NARCOTICS SECTION, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE

Mr. McKEON. Good morning, Senators, Mr. Chairman, members of the subcommittee. My name is David J. McKeon. I am the Deputy Chief of the Narcotics Section which is a section of the Criminal Division of the Department of Justice. I have submitted my statement to you so that I will not read it. Nevertheless, I will try and give you a brief synopsis of the statement and certain portions of it.

[At this point, Senator Chiles withdrew from the hearing room.]

Mr. McKEON. I was asked to testify before you to discuss in a general overview way what has been termed Operation Greenback. Operation Greeback is essentially a composite task force utilizing prosecutorial resources of the Department, and investigative resources of the Department of Justice and the Department of Treasury. We commenced approximately a little over a year ago, the spring of last year, in Miami. The predicate for the creation of the task force was the Treasury Department study which indicated tremendous amounts of currency flowing into the Federal Reserve bank in that area. That, coupled with the apparent and obvious information that Florida was one of the preeminent geographical areas for trafficking in marihuana and cocaine coming into the United States and a conclusion that it was an operational base for not only drug traffickers in the sense of cocaine and marihuana but also the money launderers who are facilitating their operations, was the basis for the creation of the task force which began, as I indicated, in the spring of last year.

Since that time, we have had an expansion. We presently have another attorney now in the Tampa area who has recently completed a case, and we have taken one of the early attorneys who commenced in the task force and sent him to the Midwest, specifically Chicago, to work in conjunction with the U.S. attorney's office in that area.

The statute which perhaps could be considered the foundation for some of the investigative techniques and for certain prosecutions was the Bank Secrecy Act, which was passed in 1970 and, I believe is common knowledge, was not used very extensively at all. When it was proposed that we create a task force to use it, specifically in this pilot project, we cited Miami as the most appropriate place for the utilization.

The two reporting requirements of the Bank Secrecy Act which have been utilized for the most part to generate information and intelligence regarding the flow of currency have been the 4789 report, which is utilized by banks in reporting currency transactions, and the 4790 report, which relates to the international movement, international in the sense of into or out of the United States of America, of currency and negotiable instruments.

Senator NUNN. Exactly what does that law provide, that you can't take $5,000 in cash out without reporting it?

Mr. McKEON. That's correct, Senator, or in.

Senator NUNN. Either in or out?

Mr. McKEON. Either way.

Senator NUNN. Who are the enforcement authorities for that, strictly customs?

Mr. McKEON. The U.S. Customs Service. The task force is composed actually—so you understand—we have provided as of today four Criminal Division attorneys with grand jury authorization. We convened at initiation of the project what is known as the tax-drug grand jury. The grand jury is authorized to investigate violations of title 26 and in addition thereto the traditional title 18 criminal statutes, title 31, which encomposses the Bank Secrecy Act and title 21 which contains the drug violations.

As to the makeup of the task force, the U.S. Customs Service, primarily because of their jurisdiction regarding the questions just posed by the Senator, have provided a squad, I believe of approximately 10 or 12 special agents, to work on the task force. The Internal Revenue Service which has the collateral jurisdiction regarding the 4789 reporting requirements of the banks, provided essentially 26 special agents, at least on board right at the moment, and revenue agents to assist them in the project.

The Drug Enforcement Administration also has a group with a supervisor in the makeup, and there is liaison and information-sharing with the Federal Bureau of Investigation, Bureau of Alcohol, Tobacco and Firearms and, to a lesser extent, with the U.S. Secret Service.

During the course of some perhaps 15 or 16 months, working with a grand jury in the southern district of Florida, the prosecutors and the agents have been able to present evidence to that grand jury which has resulted in something in the neighborhood of I believe 12 or 13 indictments in that jurisdiction against approximately 50 defendants. We have also been able to return, to seek and have grand juries to return indictments, in the middle district of Florida, basically through our attorney working in conjunction with the U.S. attorney's office in the Tampa area.

And most recently we are commencing yet our third project.

Because of grand jury secrecy, because most of our investigations which have resulted in indictments are pending litigation and to protect the constitutional rights of the accused, I cannot go into any particular detail of any particular investigation. It is ongoing. We anticipate it continuing for some period of time and the grand jury is still in session hearing yet further evidence which relates generally to the money laundering aspects of major drug traffickers.

The perspective is basically there, in utilization of financial institutions to move their currency.

I have alluded generally to certain investigative techniques and without relating them to any particular investigation or to any particular case, I can say generally that this project began as a pilot program. It was a learning exercise. We had certain raw data which indicated a tremendous amount of currency flowing through commercial banks into the Federal Reserve. By scrutinizing and collating the reporting forms, the 4789 forms, and by audits which were conducted by the Office of the Comptroller and subsidiary organizations, we were able to identify various significant accounts where the money which went through was simply phenominal. Currency deposits of in excess of $500,000 on Tuesday followed by another half of a million dollars on Thursday, so forth and so on.

The Comptroller of the Currency and those agencies in their civil audit authority began to identify what would be Bank Secrecy Act violations, failure to report transactions, transactions reported but the form not properly filled out or filled out in possibly fictitious names and other types of methods attempting to get around this requirement.

This type of information was then brought to the attention of the Treasury Department which has the authority to turn that investigation over to the Internal Revenue Service for a criminal investigation, which was done. That is one technique. The other techniques have been the more traditional. We found out that in any type of good criminal investigation, you need live witnesses. And we have been able to come up with live witnesses in different instances. We have been able to use the grand jury process whereby we can immunize the so-called lesser cupable person in order to compel his testimony against the more culpable person.

We have used traditional physical surveillance techniques by surveilling money couriers from banks to specific money-laundering individuals who were actually the lead characters, so to speak. These are some of the techniques which we have used. The pilot project is still a pilot project. We are learning things every day. We are expanding it. We have had attorneys participate in lectures regarding the Bank Secrecy Act and various investigative techniques utilized in Texas, in Illinois, and at Operation Greenback in Miami, Fla., with the purpose of advising other investigators and assistant U.S. attorneys in the various procedures and techniques which we have used.

I think generally in the area of operations, we have had certain successes. I have alluded to the fact that we have returned what I believe to be significant indictments. Seizures have been made. We have seized airplanes, we have seized cash which was attempted to be brought out of the country in significant amounts, and we have seized certain moneys which have been identified in suspicious accounts. I believe the total amount seized in the duration of the pilot program has exceeded some $20 million.

And although we recognize that this is not a significant amount in the context of being compared with the overall billions which are related to major drug trafficking, we believe we are reaching a point where we are making inroads into the financial operations of the major drug traffickers.

That basically, Senator, is an overview of my prepared statement and I will be happy to answer any questions that I can.

Senator NUNN. Thank you, Mr. McKeon. We appreciate your summarizing your statement. We will put your whole statement into the record, without objection.[1]

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[1] See p. 615 for the prepared statement of Mr. McKeon.

Senator NUNN. Mr. McKeon, we heard testimony this morning that field prosecutors in the narcotics area are hampered by Justice Department regulations which restrict their ability to indict or negotiate pleas in tax cases without the approval of the tax division. In your experience in narcotics matters in the Justice Department, do you feel that more authority in tax cases should be delegated to the discretion of the prosecutor?

Mr. McKEON. Senator, I am not sure I agree with the premise of the question frankly. Let me preface my answer by saying I am in a section of the criminal division, which is separate and distinct from the tax division. In Operation Greenback, we have not had any difficulty. As a matter of fact, as I indicated in my prepared statement, we essentially commenced our task force investigation by utilizing a tax-drug criminal grand jury.

Senator NUNN. I understand that. I am not talking about Operation Greenback. I am speaking in general because testimony this morning from one of the prosecutors was if he did not have to wait a year or so to get approval from the tax division when he is handling a narcotics case, that he could join those two together and be much more effective in expediting and disposing of many cases plus securing more civil forfeitures and also more information.

I was not referring to Operation Greenback because as you indicated, this is a unique pilot project but rather speaking in general.

Mr. McKEON. Generally, Senator, I can't answer that. I don't know. I don't know that there is a general delay of anything of a year in that type of prosecution.

Senator NUNN. Could you get the tax division—we will submit it for the record, and ask that we get the appropriate people in the Department of Justice to answer that question.

Mr. McKEON. Yes, sir.

Senator NUNN. And give their comments on the testimony we heard this morning on that.[1]

You mentioned that one of Greenback's objective was to pursue both criminal and civil forfeitures. How successful have you been in the Greenback operation in the forfeiture area?

Mr. McKEON. The seizures, as I had indicated, have been in excess of $20 million in a project. At the present time, they are subject to litigation and, as such, I believe it is inappropriate for me to comment on these seizures.

Senator NUNN. I am not asking about the individual cases, just in general, have the forfeiture laws worked in Operation Greenback successfully or do we need to make changes in the laws or do you prefer to wait on that until conclusion?

Mr. McKEON. Well, I can say this, it is not in direct response to your question, but at the present time, the Department has recognized a need for a more uniform criminal forfeiture legislation and as I sit here now, I do know that there is a proposed bill which is still being studied which the Department, I anticipate, will be submitting to Congress before the end of the month.

Senator NUNN. On the forfeiture?

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[1] The material to be supplied for the record was not received at the time for printing.

Mr. McKEON. That's correct, on criminal forfeiture, yes, sir.

Senator NUNN. Is it true that Greenback's success has forced traffickers to result more frequently to physically moving their profits from the country?

Mr. McKEON. The cause and effect I could not say yes and prove it beyond a reasonable doubt, but that is my opinion.

Senator NUNN. Is that good or bad?

Mr. McKEON. I think that's good because, frankly, it's a hell of a lot tougher to take two big suitcases containing a million bucks in your private airplane and run the risks of interdiction, run the risks of, frankly, being robbed yourself. I think there is a myriad of problems which face the major drug trafficker if he is attempting to do it physically as opposed to securing himself some type of check or something else and doing it through banking circles.

Senator NUNN. Mr. McKeon, we have a vote up there so I am going to have to leave in a moment. What are the major drawbacks that you have run into with Greenback in terms of things that Congress should be alerted to?

Mr. McKEON. Well, I think one recognized problem in the area, and I believe this is going to be addressed, is that we have encountered certain difficulties in the Bank Secrecy Act regarding the 4790 reporting requirement, that is, the customs reporting requirement, whereby there is at least an issue, there being no attempt provision in the statute; we have had differences among the judiciary as to whether or not a certain set of circumstances has met the criteria for the accomplishment of a particular crime.

Senator NUNN. In other words, I believe what we have heard before is a situation that would entail customs agents finding a large amount of money in a briefcase about to leave the airport. In those cases, the law itself may be interpreted to say that unless it has already left the country, there is no violation.

Mr. McKEON. That is correct, Senator.

Senator NUNN. That is why you need an attempt statute, isn't it?

Mr. McKEON. That is my personal opinion and I believe the Department supports that.

Senator NUNN. What luck are you having in terms of mutual assistance treaties? Has the Justice Department got any list of treaties you are in the process of trying to negotiate or is this something that is not of great urgency?

Mr. McKEON. I don't know if there is a list, Senator. My responsibilities do not include that aspect of the work regarding treaties. I do know that our section worked on both the extradition and the mutual assistance treaty with Colombia which I understand has been before the Foreign Relations Committee of the Senate, and I would anticipate it coming forward very quickly. And I, from a personal quasi-prosecutive point of view, think that is going to be an excellent treaty. And I think in a general sense the more mutual assistance treaties we can have, the better we will be, recognizing that they seem to take an inordinate amount of time to accomplish.

Without going into the factors, we worked on the treaty with Colombian authorities for a very, very considerably long period of time. I think it is going to come—and I think frankly it will help Greenback. We have many fugitives who are Colombian citizens.

Senator **Nunn**. Is there any effective way to monitor wire transfers of narcotics money?

Mr. **McKeon**. I am sorry.

Senator **Nunn**. Is there any effective way to monitor wire transfers of narcotics money?

Mr. **McKeon**. I suppose I would have to simply say I am not sure. My understanding is that the banking business, the financial world in general, utilizes just a tremendous amount of wire transfers in legitimate enterprises. To effectively monitor that, I think, would be a very, very difficult undertaking and I am not really sure to what end.

Senator **Nunn**. Thank you very much, Mr. McKeon. We have a vote up there. We appreciate your testimony. We may have other questions for the record.

Mr. **McKeon**. Thank you, Senator.

Senator **Nunn**. Counsel will announce the next hearing.

Mr. **Weiland**. Senator, we are going to reconvene tomorrow morning. I think it is best since we only have a brief staff statement left that we adjourn for the day.

Senator **Nunn**. We will adjourn then until tomorrow morning to continue the hearings.

Thank you, Mr. McKeon.

[Whereupon, at 11:55 a.m. the hearing adjourned, to reconvene at 9:30 a.m., Wednesday, November 18, 1981.]

INTERNATIONAL NARCOTICS TRAFFICKING

WEDNESDAY, NOVEMBER 18, 1981

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:43 a.m., in room 3302, Dirksen Senate Office Building, under authority of Senate Resolution 361, dated March 5, 1980, Hon. William V. Roth, Jr. (chairman) presiding.

Members of the subcommittee present: William V. Roth, Jr., Republican, Delaware; Warren B. Rudman, Republican, New Hampshire; and Sam Nunn, Democrat, Georgia.

Members of the professional staff present: S. Cass Weiland, chief counsel; Michael; Eberhardt, deputy chief counsel; Marty Steinberg, chief counsel to the minority; and Katherine Bidden, chief clerk.

[Members present at commencement of hearing: Senators Roth and Nunn.]

Chairman ROTH. The subcommittee will be in order.

This morning we convene the final day of the current hearings into narcotics trafficking and the law enforcement response thereto. We have over the course of the last several days heard testimony indicating that this country's war on drugs has not been successful and may, in fact, present the country with an increasingly grave situation.

Today we are fortunate to have the former Administrator of the Drug Enforcement Administration, Peter Bensinger. He will be followed by a panel of witnesses to include the Commissioner of the Internal Revenue Service, Roscoe Egger, Deputy Assistant Secretary of the Treasury, Robert Powis, and George Corcoran of the Customs Service.

Finally, we are very pleased indeed to have this morning Dr. Carlton Turner, the White House Adviser on Narcotics. He will be making his first appearance before a congressional subcommittee.

At the conclusion of today's hearings, we expect to present a series of recommendations which several members of the subcommittee have arrived at after listening to testimony over the last 2 weeks and digesting some of the reams of material which are available on this subject.

Mr. Bensinger, would you please come forward?

Raise your right hand.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BENSINGER. I do.

Chairman ROTH. Please be seated. Again, it will be the practice of the subcommittee to include the total statement as if read. Where practical, I would invite the witnesses to summarize their statements, but I leave that up to your individual choices.

Mr. Bensinger?

TESTIMONY OF PETER BENSINGER, FORMER ADMINISTRATOR, DRUG ENFORCEMENT ADMINISTRATION

Mr. **Bensinger.** Chairman Roth, Senator Nunn, I am very appreciative of the opportunity of appearing before you.

I will try to summarize my remarks. I commend the subcommittee for holding these extensive hearings at this time because there is critical legislation pending in both Houses of Congress.

There are severe, difficult budget cuts being imposed on law enforcement agencies that will greatly constrain our effectiveness; and administrative realinement is also under review. So your hearings could not come at a more important time and your participation, I think, over the years that I have testified as administrator has been most helpful. This subcommittee, the Permanent Subcommittee in the Senate has been in the lead on narcotic legislation sponsored and you, Mr. Chairman, appropriately commented on the Tax Reform Act of 1976 as a drug dealer's relief act. That is just one item of interest this subcommittee has focused on. It ranges from bail and sentencing to the possee comitatus assistance which I understand passed the House last night.

There is a great deal that still needs to be done. And one of the most important issues is the question of resources. I would like to cover today briefly that issue, comment on the international implications of what we are doing overseas and what this means domestically, touch on executive direction and leave to others really to focus on public awareness.

I am familiar with your legislative agenda and I think you are familiar with the one I proposed.

Let me start first on the issue of resources and I want to indicate that I fully support President Reagan's efforts to reduce Government spending.

I understand that the President believes, as I think the American people do, that we have to reduce the deficits and the spending that the Federal Government has over the years developed a pattern of just more spending than is appropriate.

But I am not here as a budget analyst. I am not here as Chairman of the Council of Economic Advisers. I am here as the former administrator who has had the job of directing the Drug Enforcement Administration for 5½ years. The drug enforcement area is not the area to hit with massive budget cuts. DEA, the FBI and the Customs Service have had a reduction in total agent deployment over the last 3 years of in excess of 10 percent. There are 10 percent fewer agents today in the field for the Customs Service, for the FBI, and for the DEA than there were in 1976.

The Attorney General's Task Force on Violent Crime, cochaired by former Attorney General Griffin Bell and Illinois Governor Thompson made a number of important recommendations. I believe they were on target.

One of the most important recommendations was the recommendation for increased resources for investigative and prosecutorial law enforcement agencies. And Judge Bell tells the story that there is one Federal employee in the Department of Agriculture for every eight farmers.

In 1978, there were a total of 40 million victim offenses in the United States. In that same year, 600,000 offenses were committed with firearms. So our ratio from the criminal justice standpoint does not come close to the Department of Agriculture.

In terms of the Drug Enforcement Administration, I do not think this agency can afford to be turned into a 9 to 5 workplace. And the present Continuing Resolution, and you heard from Bud Mullen yesterday about the budgetary restraints, is, I think, creating the possibility that that could happen.

Narcotic agents have got to be flexible to move at 3 a.m. in the morning, at midnight, on weekends, to be able to leave their State, even leave the country to meet drug dealers. That is how the most important conspiracies can be put together. And a limitation on the number of vehicles available, the amount of travel funds, operational funds that would deny the opportunity to be seized when you can make an important undercover meeting is something that we should worry about, that you should worry about, and I am sure Mr. Mullen has worried about it.

It goes beyond just making an important undercover discussion. It could be recorded on a cassette tape, it could be videotaped. It goes to the safety of the agents themselves. In an undercover situation, you need to have the appropriate number of vehicles, appropriate number of agents, the appropriate amount of equipment to protect the safety of the agents involved.

I am sure that DEA does not want to compromise that safety factor.

With a reduction in resources, one of two things will happen. You will have reduced operational activity or reduced informant development or both. And informants are a key in the narcotic trafficking investigative work. I do not have an accurate number on whether the informant development is up or down in the last several months since I have left DEA, but I would suspect with a significant reduction in funds for operations, purchase of evidence and for informant development, that would be the case.

State and local task forces are essential. They provide good continuing communication between local law enforcement and the Federal Establishment. They leverage the Federal dollar by utilizing State and local law enforcement presence and they can move a variety of individuals between jurisdictions.

I am told the task forces presently are at a standstill with respect to operational funding and the purchase of evidence and information accounts. Probably where I think you get the best return on investments in overseas, both in terms of DEA presence as agents and intelligence collectors and in terms of a State Department, government-wide, coordinated crop destruction, eradication program, as was the case in Mexico.

The present appropriation for the State Department's Narcotics Bureau of some $35 million is not going to do the job. When the Government of Mexico and the United States embarked on a long-range crop destruction program, considerable assistance was given to the Government of Mexico. That assistance, by the way, was not the major share of the money spent on that program. Mexico spent several times what the U.S. Government did to destroy poppy fields, but the program worked.

[At this point Senator Rudman entered the hearing room.]

Mr. BENSINGER. The Government will have to do more than create new reporting structures and will have to do more than just cross-train agents or provide additional opportunities for investigation. You will need a real effort at the source country to turn off the source of supply and you will need the prosecutorial resources to try the cases and to write the indictments.

When I first appeared before this subcommittee some 5½ years ago, DEA had 2,000 fugitives. Now we have 3,000 fugitives and the lack of a deterrent, meaningful deterrent is hurting the drug enforcement effort, not only throughout this country, but throughout the world. We are losing the respect of our associates in foreign countries who see us making arrests and the traffickers continuing to be free on bail and then disappearing, perhaps returning to the country of source.

President Ford and members of this subcommittee in 1976 submitted legislation that would provide for judges to deny bail after a full hearing in which the Government would have to prove that an individual would flee the jurisdiction of the court, compromise a witness, jeopardize evidence or continue to conduct criminal activity. It is a sad commentary that 5 years later we still haven't got legislation in this regard, although it has passed the Senate.

Mr. Chairman, Senator Nunn, Senator Rudman have talked about the Tax Reform Act, but candidly, this is another area that needs close attention and I am pleased that Commissioner Egger will be following my testimony with a dialog with you on that important subject.

Domestic marihuana cultivation—a tremendous job, generally in the past, left to the States but today every State in the union has some domestic cultivation of marihuana.

The Federal Government will have to, I think, work in concert with the States to address this growing problem but will have to address it in some fashion that provides more than just a pattern on paper.

Last year's budget request had a small but important model provision of about $1,300,000 for the Drug Enforcement Administration to work with the States to identify fields, to facilitate the identification of the owners, to look for asset seizures, to develop intelligence and to give the kind of seed initiative that a meaningful local program should have.

I am hopeful the Congress will, with the administration, reconsider this issue.

Now, one way we could, in my opinion, improve drug enforcement effectiveness would be to use the assets of the traffickers to help fund this effort. This is a suggestion that comes from experience. The 881.A.6 provision is a forfeiture provision that was adopted a little less than 3 years ago, and it enabled the Drug Enforcement Administration to seize, subject to a court's review, assets derived from, intended to be used for, or traceable to, a violation of the Controlled Substances Act. Next year that provision should enable the Government to recoup in time about a quarter of a billion dollars worth of assets, in cash, real estate, stocks and bonds, boats, ships, and vehicles.

If we had an opportunity to turn this potential inventory of trafficker assets to work against the traffickers themselves, I think it would be a very worthwhile procedure. The illicit crop destruction program needs to be monitored in Colombia. It is going to cost money; it is going to cost the U.S. Government and the taxpayers money, but I think it would be a good investment. I think Colombia is looking for assistance.

They have 100,000 acres of marihuana growing on the north coast. That marihuana can be destroyed, should be destroyed. It is not for me to tell the Government of Colombia what program to use. I think Paraquat would work very effectively. But they should be the ones to decide what type of herbicide is used. I am pleased that the Foreign Assistance Act will now, it appears, at least remove from the U.S. Government the obligation to decide what is to be used.

The coca-growing areas of Peru, Bolivia, and Colombia need to be inspected, controlled, and enforcement of crop destruction authorized. AID generally has gotten into the crop substitution program area, and you heard from Ambassador Ed Corr and Ambassador Tom Boyett. They are excellent Ambassadors, in my personal opinion. I think they will do the U.S. Government a great service in their countries. I would hope their AID programs would not have to be dropped out of the bureaucracy in Washington like wisdom teeth out of a patient in a dentist's chair. My experience over the past several years has been that those programs are very difficult to get in place—a great deal of program justification, review, interagency shuffling goes on. I think with Ambassadors like that you can get a crop substitution program launched.

I think the new AID Administrator, Peter McPherson, who I believe is aware of this problem, will bring a new perspective. You have that opportunity. When we are talking about those countries in particular, we are talking about three-quarters of the illegal drug traffic and money in this country, 70 percent of the marihuana, 90 percent of the cocaine.

[At this point Senator Nunn withdrew from the hearing room.]

Mr. **Bensinger.** With a bilateral program, we have had success. In Turkey, in Mexico, with cooperation of the Congress, leadership from the Ford administration for Mexico which the Carter administration continued funding for $15 million a year to Mexico. We saw heroin availability drop, fewer addicts, fewer injuries, fewer overdose deaths. The essence of that success depended on strong State Department funding and continuing multiyear commitments, good intelligence, and, I think, effective DEA presence in countries working cooperatively with the Government of Mexico but never imposing U.S. laws, U.S. perspective, or, in fact, embarking upon enforcement operations that are the proper province of the host country.

The posse comitatus legislation I just want to make one comment on. I think it is needed, I supported it. Someone is going to have to pay for those military flights. The question I would hope the Congress would address is who is going to do it and is it in this year's budget.

When the U.S. Coast Guard and U.S. Customs Service ask the military commander to send up an EC-2 or EC-3 or to get additional planes in the air to provide needed reconnaissance, the issue of the payment of that service is critical.

It is great to have the program but if you do not have the tools to get it done, I would be worried. I am encouraged that we have got the legislation, encouraged we have the opportunity to really have impact.

I am not sure the dollars are in the budget. I would hope the Defense Department would, with its large resources, be able to carry on these reconnaissance flights in the country's best interest, but the Assistant Commissioner of Customs and the Coast Guard and Treasury officials will have to describe their relationships and their budgetary provisions to handle that kind of an ongoing program.

I won't go into the legislative initiatives. I will be happy to answer questions. I would make one new recommendation legislatively, and this is perhaps a surprise to this committee and some of my colleagues sitting behind me, but I am suggesting, Chairman Roth, Senator Rudman, that we use the 881.A.6 civil forfeiture provision by which Government investigative agencies can seize assets derived from, traceable to, or intended to be used for a violation of a crime for the FBI, for IRS, for the Immigration Service, for ATF. Today's Wall Street Journal, Wednesday the 18th, you don't have to turn the page, it is right there staring you in the face:

> Peddling drugs has its deductions, Jeffrey Edmondson of Minneapolis was self-employed in the trade or business of selling drugs. He got 1.1 million amphetamine tablets, 100 pounds of marihuana, 13 ounces of cocaine on consignment. His income was $128,500. He kept no records, but he reconstructed his deal and applied for an IRS tax jeopardy assessment. The IRS rejected all the expenses. The Tax Court Judge Goffe found Edmondson's testimony honest, forthright and candid and accepted $105,000 out of $128,000 as costs of goods sold. He was denied a deduction for an airfare trip and entertainment to San Diego.

But the $128,000 the man admitted was drug money the IRS could not confiscate. If they had an 881.A.6 seizure provision, or if the FBI did in an organized crime case where there was murder for contract or labor racketeering or extortion, and that agency or other agencies had the preponderance of evidence responsibility to go to the court and say, look, this individual organization's, or person's assets were derived from a violation of the law, we are responsible for investigating, we are going to seize that property, this would be a tremendous benefit to the investigative agencies, it would be billions of dollars of assets taken away from the criminals and it would help our financial picture and our budget constraints. I would suggest, Chairman Roth, you might consider, Congress might consider, setting up a trust fund of trafficker assets which would reach the $4 and $5 billion mark in several years to help law enforcement if we are not going to get assistance from the OMB budgetary review process.

I have discussed this with several officials of other agencies. The 881.A.6 provision has been judged to be appropriate in several courts in this country. It was used with considerable success by the Drug Enforcement Administration last year. I think our seizures exceeded $150 million. There is a test case in McAllen, Tex., with the Montemayor family that involves the seizure of assets without a criminal arrest being made.

And the advantages in a civil procedure is that you have the preponderance of the evidence rather than proof beyond a reasonable doubt. I think it is not asking too much to let the individuals on trial prove where they got the money if it was not from an illegal drug deal or contract for hire or extortion deal and let the judge determine if there was enough evidence after proper judicial review that that was the case.

I think Federal investigative agencies would be able to collectively make an impact on crime. It would help control drug traffic. You say what does that have to do with drugs? Because the trafficking in weapons, the trafficking in illegal aliens, the trafficking in counterfeiting, the trafficking in organized crime directly or indirectly affects the narcotics traffic. They are interwoven. So I would recommend other investigative agencies consider that as well as the Congress. If we hit the criminals in the pocketbooks with this attack, we do not have to worry about the number of courtrooms, the number of prisons. We will be able to take away the profits and let a judge decide if they were, in fact, derived illegally.

I would add that I think we will need manpower commitments for drugs from the investigative agencies from the IRS and from the FBI. The IRS has done an excellent job in coordinating, cooperating on a number of investigative assignments with DEA and a great deal of progress has been made. But candidly, I think they would be well served to even devote more effort on drug traffickers where the tax evasion is in the billions and respond to the 97th Congress direction which did indicate that some $20 million would be allocated.

The FBI has been brought into drug enforcement. You heard from Bud Mullen. He will need the resources to do the job as an acting administrator. He will need more than cross designation. He will need more than the opportunity to change personnel or policies.

Eventually, it will boil down to somebody going out in the street and making an arrest and that criminal being brought to trial and sent to prison. Today in Miami, we have 1,000 individuals not in prison simply because we do not have a criminal justice system that can try them. There will have to be prioritization within Congress, within the Department of Justice, and within the administration as to how important drug enforcement really is.

I would add that prevention is very important and I have not addressed it. Public awareness is very important and I have not addressed this, but I do want to recognize Mrs. Reagan for the work she has already done in a short period of time in this field. It has been visible; it has been serious. It has involved multiple briefings from low enforcement and health officials and then personal presence in a variety of communities and her talking with parent groups.

I think Mrs. Reagan's commitment to this area is important. I think it sets a tone not only as the First Lady but for parents who have got involved in this fight, and so does private industry and private citizens. Volunteerism is going to be an important ingredient and Ross Perot's effort in Texas is one excellent example. Another is the National Federation of Parents for Drug Free Youth.

Those organizations will have impact but it is one thing to talk about a problem and another thing to report a crime. It is not the same as making an arrest and prosecuting a case. One cannot substitute for the other. We need both. And I don't think we have enough of the latter.

This subcommittee has heard a great deal of testimony and it is very familiar with the subject. You have an excellent staff, Chairman Roth. You have excellent members on your Senate committee, but I am concerned that our domestic marihuana trend is still up, that the cocaine tide is a flood, that Latin America has received little in the way of a long-term promise of aid, the Mexican program has not been replicated, no crop destruction programs initiated despite increased efforts that have been cited to do more overseas; the funds have not been provided and neither have the prosecutors. And the number of agents budgeted to be assigned is short of what is required.

If the U.S. Government does not fund adequate prosecutorial resources, adequate international long-term program initiatives, and unless the augmentation of the effort that could be promised by FBI agents' investigative ability is translated into real meaningful man years, more agents and more prosecutors, the promise of increased drug control is a very thin one.

Mr. Chairman, I appreciate the opportunity of appearing. I will be happy to answer any questions you, Senator Rudman, or members of the staff may have.

Chairman **Roth**. First, let me express my appreciation to you, Mr. Bensinger, for being here today and for the very splendid service I think you have given this country in this area. This subcommittee wants to continue to draw on your expertise in this area.

I might say your suggestion in the area of assets seizure is a very interesting one which I am going to ask my staff to sit down with you and explore both the plusses and minuses. Obviously, that kind of approach means you have to build in safeguards as well so that the authority is not misused.

Like you, I am concerned about the availability of adequate resources.

Let me ask you, first, on the basis of your expertise and background what might be considered a threshold question; namely, whether or not in your opinion you think narcotics trafficking and abuse can be significantly controlled or decreased at all.

Mr. **Bensinger**. I do.

Chairman **Roth**. Why are you so optimistic?

One of my great concerns is what appears to be the increasing acceptability on the part of responsible segments of our society as to not only the use of marihuana but the use of other types of drugs. I like your optimism, don't misunderstand me.

Mr. **Bensinger**. I can give you the reasons for it, Mr. Chairman.

First, if you looked at that heroin supply chart, and while I am no longer the administrator of DEA, maybe one of my associates could hoist it, you would see a substantial reduction from 1977 to 1980.

If you had an overdose death chart, it would go from 2,000 deaths a year to 600.

[At this point, Senator Nunn entered the hearing room.]

Mr. **Bensinger**. In metric tons, it is 4.5. If they went back to 1976, it would be 6½ to 7 and 1975 would be higher than that. Heroin was reduced and it was a top priority because the Government sentenced heroin dealers to long terms in jail, because the Government put up money and agents and presence in Mexico and had a meaningful bilateral program. Also because, as you suggested, Senator Roth, the public attitude toward heroin was pretty clear. It wasn't debatable. Nobody kind of thought heroin was acceptable.

My second sense of why this problem can be controlled, perhaps never eliminated to zero, but controlled, is because the number of high school seniors smoking marihuana in the last 2 years have gone down. That alone doesn't solve the problem, but it indicates an awareness on the part of that part of the population that this is a health hazard.

In fact, if you look at the high school survey from NIDA, almost every drug was judged by the seniors to be more difficult to obtain with the exception of cocaine and some metamphetamines.

My other reason for optimism, guardedly, is because people like Pat Burch and Ross Perot are people who are going to wage this battle and others, with you, to see the necessary laws get passed and I hope the resources are provided.

I don't think the drug war is going to be solved, though, unless you provide the agencies with the resources. I don't think it is going to cost a lot of money and I propose you use the criminal's assets to fund the effort.

Chairman Roth. As I mentioned, we will ask the staff to discuss further that approach. It may well be advisable to have a specific hearing on that approach.

I agree with you that probably the most effective way of attacking the problem is the eradication at source. And, yet, the problem is such a tremendous one both abroad and even here at home. So, again, can I ask you, is this something that can practically be done?

Mr. Bensinger. It depends on the level of political will. Cocaine and marihuana are the two biggest problems facing us and they are enormous problems. They are complex because there is division of thinking about the health hazards, there has been misinformation in the past.

People still think of marihuana as an unharmful drug without realizing the chemical element THC has gone from 1 percent to 5 percent in the past 3 years. I think it can be controlled but in the case of cocaine first, the key source countries are going to have to be shown that the United States means business and is willing to invest in that program.

I think with Ambassadors like Ed Corr and Tom Boyatt, they can effectively reduce the raw material. If 10 years ago we had this conversation, or 7 years ago and you had said, could we reduce the marihuana from Mexico of 90 percent of the U.S. crop to 10 percent and heroin from 90 to 10, you would have been very skeptical, yet it happened.

You had a Government that was committed, you had a U.S. Government that was committed and you had money put into the program. Domestic marihuana is going to be a very tough problem, but you have got to start. You have got to start with sentencing, you have got to start with crop destruction, you have got to start with consistency and enough resources to deal with the traffickers.

Today, marihuana and cocaine traffickers can post a half a million dollars bail, $1 million bail and laugh at the U.S. Government and take their money somewhere else. The posse comitatus legislation will help, the tax reform legislation will help, asset seizures will help, the work overseas will help.

I don't think the battle is hopeless. I think in those two drugs, you are dealing with large quantities, lots of money and some confusion in the mind of the public.

Chairman ROTH. I agree with you, the two Ambassadors we had appear before this subcommittee are indeed an excellent example of the kind of leadership we need in this area.

Did you experience the same kind of cooperation and leadership, particularly in the Far East and other areas?

Mr. BENSINGER. I think it is uneven.

Chairman ROTH. What can we do to strengthen that?

Mr. BENSINGER. You are asking me an open-ended question. I am going to take advantage of it. I would have the President and the Secretary of State and the Assistant Secretary of State from each of the bureaus meet with the Ambassadors from the key countries and have everybody there—have Mr. Stockman there as well—to show how important this is and then take the signals from there and the AID Director.

If the program is Thailand or if the program is Colombia or if the program is Peru, Bolivia, let's find out what percentage of the budget, the resources, and the Ambassadors' agenda it is going to fall on.

Is it going to be the first thing that the Ambassador talks to the President or the Prime Minister about or is it going to be an afterthought at the end of a meeting?

Chairman ROTH. You mentioned the role the First Lady was playing. Perhaps she could be helpful.

Mr. BENSINGER. She already has been, and so has President Reagan, make no mistake about it. He has spoken out about drugs, he gave an excellent message in New Orleans.

I would like to see the resources for that put into the overall program.

Chairman ROTH. I would think this subcommittee could be of some help in this area, that we could take up the matter both with the White House and particularly with the State Department to secure their cooperation in giving greater emphasis to this problem at the Ambassador level.

My 10 minutes are up, so I will yield to Sam Nunn who has been a leader, as you well know, in this area. He is former chairman of the subcommittee.

Senator Nunn?

Senator NUNN. Thank you, Mr. Chairman.

Mr. Bensinger, you mentioned the forfeiture provisions. About 3 years ago you mentioned the forfeiture provision we passed in the Senate and became law. That ties forfeiture to a criminal indictment, is that right?

Mr. BENSINGER. Not necessarily, Senator Nunn. There is a civil process which it can precede from without having a criminal arrest made.

Senator NUNN. What is it you are advocating at this time in addition to that?

Mr. BENSINGER. I would advocate that other investigative agencies such as the FBI or the IRS or Customs Service or Immigration Service have in their principal statutory investigative authority, the authority to seize assets from, derived from, intended to be used for or traceable to a violation of customs law, immigration law, bank fraud, contract for hire, organized crime. So that you get an opportunity to seize the assets of criminal organizations without going through a racketeered influence corrupt organization procedure, which is very lengthy, as far as a criminal indictment.

You would still need to have a Federal law enforcement officer determine on a preponderance of the evidence that these assets or these funds came from a violation of the law. And there would be a hearing and the judge would determine if the money that bought a $4 million house and real estate, an airport, was derived from a violation of the immigration statutes just like it was of the drug statutes, the criminal organization would lose that asset.

Senator NUNN. That is already provided in the RICO statute, there is a provision for civil forfeiture in the RICO statute short of criminal indictment; is that right?

Mr. BENSINGER. Senator, the RICO statute, I believe, does—I would have to check counsel on that specifically. But the RICO statute generally has to document a business starting from the begining through the end over a long period of time.

Government would have to prove the only purpose this group was in business for was, in fact, to violate the law.

In the case of 881, you don't have to tie the individual organizations——

Senator NUNN. 881 is the specific one on narcotics?

Mr. BENSINGER. Yes, sir. You don't have to tie the complete life and length of those particular assets, all of the business entities that organization or individual is dealing with.

All the Government needs to do is go and say that plane, that house, those shares of stock, or that cash came out of this illegal drug deal.

Senator NUNN. So you are saying what other agencies need is some similar authority to what narcotics agents have on 881?

Mr. BENSINGER. Exactly.

Senator NUNN. You are not saying that in the area of narcotics, per se, you need to expand that civil forfeiture statute. You think that one is broad enough.

Mr. BENSINGER. Right on target.

Senator NUNN. It passed 3 years ago. What has been the holdup in more vigorous enforcement of it?

Mr. BENSINGER. I think it was difficult to train both the prosecutors and agents initially. The first year seizures were about $13 million. The next year were $90 million. This year they did over $150 million and I would be surprised if they don't do close to $300 million next year.

The limitation will be now on resources available to make the seizures. Initially it was on the training, orientation, and availability of expertise when the case got put together.

Senator NUNN. You were the one who first advocated that provision; of course, I sponsored the bill that got it through.

What do you believe—could you just give us an example of how that would work?

Give us a hypothetical.

Mr. BENSINGER. Let's say the very case in the Wall Street Journal, with the IRS, in which an individual admitted he received $128,000 from clearly a violation of Federal law. If there was a forfeiture statute, which there is in the case of drugs, this person may not lose the money to IRS; but DEA can go in with an 881, and probably already has, and take that money.

If it wasn't a violation of the drugs laws but say it was a bank, a person robbed a bank, he is in business to rob banks, he has robbed a bank, it wasn't a RICO statute but a one-time deal and he had $350 to, let's say, a $1,500,000, and he bought a home, had some money, put it in stocks and bonds, and he had some cash.

The FBI, theoretically, would be able to, if they had the same type of provision, go in and prove that those assets were derived from a bank robbery.

Senator NUNN. Where does the money go under 881 now if you recover it?

Mr. BENSINGER. It goes to the U.S. Treasury. It doesn't all go the day we seize it. It has to go through a court process and adjudication. So there will be a lag time between the actual seizure of the assets and the U.S. Treasury actually getting cash.

But the Government, U.S. Treasury gets it. It does not go to the investigative agency.

Senator NUNN. How much did the Government get in the most recent year you have statistics for from that 881?

Mr. BENSINGER. The value of assets seized in fiscal year 1981 are in excess of $150 million.

Senator NUNN. How much of that ended up in the Treasury; what was the net?

Mr. BENSINGER. I would say it was several millions of dollars, perhaps $10 or $15, I am not sure. I don't have the specifics.

Senator NUNN. What happens to the difference between the gross and the net?

Mr. BENSINGER. The GSA and Marshal Service have auctions of boats, there is an airport that hasn't been sold, there is an airport building, the discotheque in the Omni Hotel in Miami.

Senator NUNN. It is a matter of cash flow, a lot of that is going to come in later on. There is not that much experience in administering it.

Mr. BENSINGER. That is right.

Senator NUNN. What would you estimate the total net the Treasury is going to get in the future, give us a ballpark estimate on a recurring basis, what kind of yearly figure?

Mr. BENSINGER. I think in drug trafficking alone, you will be in the billions of dollars.

Senator NUNN. Net to the Treasury?

Mr. BENSINGER. Yes.

Senator NUNN. Per year?

Mr. BENSINGER. Yes.

Senator NUNN. You believe that will come in, say, in 2 or 3 years?

Mr. BENSINGER. Three, perhaps. It depends on how many agents or prosecutors you have to take these cases to court.

Senator NUNN. What is the total DEA budget in a year?

Mr. BENSINGER. We asked for $242 million when I was Administrator. I don't think we are close to that now.

Senator NUNN. So you are talking about more money coming in than the total cost of running DEA potentially?

Mr. BENSINGER. I think in 3 years a criminal asset forfeiture program under 881 could set up a trust fund in the billions of dollars that would fund not only DEA but the State Department's narcotics enforcement program and probably several other agencies as well.

Senator NUNN. What would you think about setting up the trust fund in law so that the money that went into these forfeitures were put into a law enforcement pool, and of course would be subject to some form of appropriations but would be designated for law enforcement purposes?

Mr. BENSINGER. I would certainly support it. The city of Jacksonville, Fla., today does not tax any of their citizens for law enforcement. We have talked with the State of Florida and local municipalities since you went ahead and authored this bill in the Senate. We got it passed. We talked to other States. Jacksonville now runs their entire law enforcement operation out of forfeitures.

Senator NUNN. They have similar forfeiture statutes at the State level?

Mr. BENSINGER. Yes.

Senator NUNN. Does this mean we might be able to set up a revolving fund with existing law just by setting up a trust fund, actually having the narcotics forfeitures and in effect, narcotic dealers, paying for law enforcement?

Mr. BENSINGER. That would be certainly my suggestion. I think the chairman and you have made important comments and staff study of this with the appropriate legal authorities could focus and develop the program like that. I think it would be interesting.

Senator NUNN. Is there a question of possible abuse here because the law enforcement agencies may be given too much incentive?

Mr. BENSINGER. I think you have to look at the level of professionalism and expertise in the agencies and when you have a police officer who is out making an arrest, when he has reason to believe someone has committed a crime, the actual agencies that I am talking about, DEA is asking for no more authority than what present law enforcement officers discharge every day on traffic duty, on homicide assignments, on criminal investigations, or on other law enforcement matters. They have to determine there is a probable cause for an arrest.

If they believe there is a probable cause they can initiate a seizure. Then they have to go to court and prove on a preponderance of evidence basis that there was a violation of the law.

Senator NUNN. So the legal procedures on this kind of forfeiture are already well established in the law. We would not be making any substantive change. We would simply be charting where the money was going to go?

Mr. BENSINGER. That is exactly right. You are not going to ask the Federal agencies to do anything different than they do now. That is to determine there is probable cause to make an arrest. If they determine that is what they are talking about, that is the same provision.

Senator NUNN. Thank you, Mr. Bensinger. I want to again express my appreciation to you for a superb job for the people of the United States. We wish you well in your future.

Mr. BENSINGER. I appreciate that.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. Thank you very much, Mr. Chairman.

Mr. Bensinger, you are an old friend and I am glad to see you sitting here this morning although frankly I wish you were still sitting back where you were. I said so at the time that I think the administration made one of their mistakes in not retaining you in your position. How long did you serve in that position?

Mr. **Bensinger**. Five and a half years.

Senator **Rudman**. Your testimony and the testimony of all of the witnesses that we have had at these, I think, very useful hearings in the last few days have really addressed three major topics. You have talked about all three this morning. We have had other witnesses who expanded more on a particular area that they were familiar with, but essentially what we heard were the following three arguments: No. 1, we ought to have more effective bilateral agreements in terms of stamping out these drugs at the source; second, we need tougher laws, be they laws such as the type that you and Senator Nunn have been discussing in your dialog or other laws that have to do with bail and privacy under the Internal Revenue Code and so forth.

Finally, we have the question of resources. I want to talk about resources with you this morning because I think that your testimony could be very useful in our record, not only in this hearing, but in other matters that are soon coming before the various appropriating committees of the Congress.

Mr. Mullen testified yesterday, and of course he is under some constraints as you were when you served in that position. You, I take it, are under no such constraints this morning. Mr. Mullen stated that the administration's position was that the cuts proposed to the DEA budget would be in some way supplemented by cooperative efforts with the FBI. In testimony with him yesterday he finally did state that the FBI had quite a bit to do on its own, and he ought to know; he held a very high position in the FBI. In terms of getting any real additional help from the FBI I think his testimony could be summarized to say that that was probably unlikely in terms of the total efforts of increasing the battle against the entire problem that we are facing in this country.

What was your budget when you left the agency?

Mr. **Bensinger**. Our budget request was for $242 million and the preceding year's appropriation was $216 million without adjusting for supplementals or the pay raise.

Senator **Rudman**. What did the budget finally come down to, to the best of your knowledge?

Mr. **Bensinger**. My most recent understanding is that the continuing resolution level and here the people from DEA and their comptroller should correct my record, was slightly over $200 million and that the House-Senate conference committee is looking at $230 or $231 million but that the pay raise and the other add-on charges would have to be assumed within that $231. So you are not going to get a major increase from $216 to $230.

Senator **Rudman**. So obviously with an annual inflation rate of whatever it is this year, combined with the fact that you are absorbing that agency's other expenses, including the pay raise, the fact of the matter is that there will be a substantially smaller sum of money available to DEA during this fiscal year than there was last year for its enforcement action.

Mr. **Bensinger**. That is my understanding and that is unfortunate, more than unfortunate.

Senator RUDMAN. The second question is this. If you were given a mandate and if you were still sitting in that position, and keeping in mind what you were saying, Mr. Bensinger that we have financial problems in this country and we have to be very careful with the money we use, what do you need, to do the kind of things that you have testified about here and heretofore? What would be the budgetary figure that you would like as an administrator of that Agency to really do this job and do it right in all of the areas that you have addressed this morning?

Mr. BENSINGER. In the source country area, I think the State Department's appropriation—they would be best in the position to answer this—should be anywhere from two to three times the present level of $35 million, perhaps $100 million would be an initial figure. I don't think it needs to exceed that, Senator Rudman, because I think you are talking about principally major commitments in Latin America. They are not all going to be phased in at once. You would have to tailor the program and you may get additional assistance from other countries.

I am sure of it, as Germany was helping Turkey. In terms of the FBI, I am disturbed about what you reported here. If the FBI's additional weight does not translate into man years that can investigate criminal activity, that would be a problem. I can see benefit in the FBI having the opportunity to assist DEA. If they are not going to be able to contribute man years then you are not talking about really being able to turn out that much more effective investigation.

Senator RUDMAN. Unless of course they neglect other responsibilities which is a possibility.

Mr. BENSINGER. Exactly. I think that is exactly what the State Department and maybe the FBI and other agencies, even the Justice Department needs to do. If you have got 3,900 prosecutors. how many are going to be devoted to narcotics prosecution? So you may not have $100 million new dollars at stake.

You may just need to tell the AID Director instead of having a narcotic program of x dollars you have X plus Y and instead of the FBI devoting its resources in this percentage you put more into narcotics traffic, the same thing with the Justice Department's prosecutors. But I sense with the 12-percent reduction at DEA and a 6-percent reduction at the FBI and some real constraints on those agencies these prioritizations are going to end up in very difficult decisions and probably some loss of services somewhere in the Government.

With respect finally to the other areas, Coast Guard, Customs, IRS, I would certainly feel the effort with the provision of the posse comitatus would need to be considerably increased. I don't know whether the military has agreed to perform these flights at no charge to those agencies or not. But if not——

Senator NUNN. The answer is no, they have not. They are being dragged reluctantly into the fields against their will. So they haven't agreed to anything. There is going to be a real battle every time they commit resources for a while as to whether or not DEA is going to have to pay for it out of their budget. That would be the initial ploy of those who are opposed to this effort. Only the President's intervention is going to smooth that sort of situation out. I think that intervention is going to be required.

Excuse me, Senator Rudman, for interrupting.

Mr. **Bensinger**. The DEA source budget of $242 million I would think would be an effort that would include initial domestic marihuana, assistance program for the States, voice privacy for the agents to protect them so the traffickers couldn't listen in on their transmission, it would include task force funding for State and local law enforcement and continuation of, I think, an appropriate level of agents and intelligence.

That would not provide for Senator Nunn's and your comments on the posse comitatus.

Senator **Rudman**. The fact of the matter is this—it has been my experience in this field, and you and I have discussed this privately, that the most effective way in terms of controlling it within this country is with people. You need people. We can talk theory. But you need flesh and blood agents who are out there either undercover or overtly and are moving in this area, and that takes money. Am I correct?

Mr. **Bensinger**. Absolutely on target.

Senator **Rudman**. You need more agents?

Mr. **Bensinger**. Unquestionably.

Senator **Rudman**. Approximately how many agents actually in the field, and I am not talking administrative, I am talking people out in the trenches, does DEA presently have?

Mr. **Bensinger**. I would say less than 1,400.

Senator **Rudman**. For the entire country?

Mr. **Bensinger**. Yes, sir.

Senator **Rudman**. Certainly the suggestion that you could use twice that number would not be an unusual suggestion?

Mr. **Bensinger**. Particularly if there were enough prosecutors to handle the case load. That is one item that we have to bear in mind. The justice system, by one part of it you make a strong fence or strong chain. The traffickers are hitting at the weakest link all along the line, not enough prosecutors. It is almost impossible to go to trial in the United States today, not at the Federal level, but at city level. You agree to a plea and it is reduced.

Senator **Rudman**. My time is nearly up. I just want to say to you that I am going to continue to support increased funding for this agency. It seems to me that when we talk about our national defense which is important as we have to raise huge amounts of money for our national defense, what some people in this administration are obviously overlooking is that the defense of this country could very well be lost if enough young people become destroyed and lives and families become destroyed by drugs.

I think one need only see it up close and personally to understand what it does to people. I hope that you get the support you need for what you believe in and I again commend you for what you do in the service of this country.

Thank you.

Mr. **Bensinger**. Senator Rudman, I want to thank you for your commitment, your experience as a prosecutor and your presence on this subcommittee. I know the converse is that ultimately you will have to decide the appropriation level, but I am hopeful that your subcommittee will have an influence. I am sure it will in your voice.

Chairman Roth. Thank you, Senator Rudman.

One thing in all condor bothers me very much, in a way what I call the numbers game, how many people do we need for the job? I share the concern expressed by my colleague that we don't have adequate resources. At the same time I am bothered by the fact that in the area of immigration the number of illegal aliens that are able to enter this country so that I have some trouble in my own mind making sure whether we add another few hundred, while it will help, whether it will really be able to realistically reduce the amount of illegal drugs entering this country.

I guess I am saying why can't we stop illegal aliens from entering the country?

Mr. Bensinger. My response would be that I would prefer to do some herbicide spraying on the poppy marihuana and cocaine bushes and we probably aren't going to do that with populations and people. I think you have got a little different problem where you have got a raw material that is planted and if you can get it before it is harvested you are home free. In the illegal alien problem, you are forced with a different set of circumstances.

You have got the geography problem, you have got the port problem, you have got the resource problem, but you don't have the opportunity really to shut it off at the source. So I would say with drugs you would have a better shot at it. It has been proved. We have got an example in Turkey and in Mexico and in this decade or the last decade that have worked.

Chairman Roth. Wasn't that primarily by getting at the source?

Mr. Bensinger. Yes.

Chairman Roth. Rather than the interdiction?

Mr. Bensinger. That is right. I think interdiction is important. You will have some experts that know all about it. We need it. We also need to know if we are going to facilitate people through customs in Miami to help tourism or inspect all of the bags. You get into this business with a lot of those conflicting objectives. A person like myself and those that will follow me will want very firm inspection and those that have hotels in Miami and want people to get off those airplanes in a hurry will not.

Chairman Roth. That is correct. I again want to thank you for being here. As I indicated earlier, I think your suggestion of using the seizure of illegal assets for helping out the financing of these activities merits a great deal more thought and care on the part of this subcommittee. We will be in contact with you and I will hope that we will hold some hearings on that specific topic.

Mr. Bensinger. Thank you very much, Mr. Chairman. I think you and your subcommittee have given a very valuable morale lift to a lot of people around this country. While I am no longer in that battle in behalf of the Government I know it is appreciated.

Chairman Roth. Thank you very much.

At this time I would like to call forward Mr. Egger, who is the Commissioner of the IRS, Mr. Powis, Deputy Assistant Secretary for Enforcement of the Department of the Treasury, Mr. George Corcoran, Assistant Commissioner of Customs.

Gentlemen, if you would please rise and raise your right hands?

Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Commissioner EGGER. I do.

Mr. POWIS. I do.

Mr. CORCORAN. I do.

TESTIMONY OF ROSCOE L. EGGER, JR., COMMISSIONER, INTERNAL REVENUE SERVICE; ROBERT E. POWIS, DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT, DEPARTMENT OF THE TREASURY; GEORGE C. CORCORAN, JR., ASSISTANT COMMISSIONER, OFFICE OF BORDER OPERATIONS, U.S. CUSTOMS SERVICE; ROBERT RUWE, DIRECTOR, CRIMINAL TAX DIVISION, OFFICE OF CHIEF COUNSEL, INTERNAL REVENUE SERVICE; AND THOMAS CLANCY, DIRECTOR, CRIMINAL INVESTIGATION DIVISION, INTERNAL REVENUE SERVICE

Chairman ROTH. Please be seated.

I welcome each and every one of you here today. I think maybe we might start out—we have got five individuals here, if each one of you would introduce yourself and what position you hold in Government. That would be helpful.

Mr. RUWE. I am Robert Ruwe, Director of the Criminal Tax Division for the Office of the Chief Counsel, Internal Revenue Service.

Mr. CLANCY. I am Thomas Clancy, Director of the Criminal Investigation Division for the Internal Revenue Service.

Commissioner EGGER. I am Roscoe Egger, Commissioner, Internal Revenue Service.

Mr. POWIS. I am Robert E. Powis, Deputy Assistant Secretary for Enforcement, Department of the Treasury.

Mr. CORCORAN. I am George C. Corcoran, Assistant Commissioner for Border Operations in the U.S. Customs Service.

Chairman ROTH. Mr. Egger, would you like to start out with your statement?

Commissioner EGGER. Mr. Chairman, members of the subcommittee, I am very pleased to appear before the subcommittee today to discuss the Service's role in investigating high-level narcotics traffickers.

We at the Internal Revenue Service believe that devoting substantial resources to the investigation of narcotics trafficking is appropriate not only because of the significant amount of unreported income involved but also to maintain public confidence in our tax system—confidence that we will administer the tax laws fairly and evenhandedly.

The Service is strongly committed to participation in the concerted Federal antinarcotics campaign because those who profit from illegal narcotics trafficking undoubtedly receive substantial income on which no tax is paid. We make every effort to investigate and prosecute those guilty of tax crimes. But when that is coupled with other, perhaps more sinister crimes against society, there is a clear-cut obligation on our part to combine our resources with those of other agencies to identify and prosecute the perpetrator.

Notwithstanding our commitment here, I should point out that significant resources must also be expended on other programs which have equally compelling requirements for enforcement action. For example, programs involving the examination and investigation of tax shelters having no economic substance other than to avoid tax obligations, cases where taxable income goes unreported in the subterranean economy area, and our illegal tax protesters program require the allocation of Service resources in order to maintain a balanced enforcement program.

The Service is particularly concerned over the continuing increase in the number of illegal tax protesters. Although progress has been made, the number of tax returns and related documents used by protesters claiming a vow of poverty, fifth amendment rights not to furnish information on which to compute tax due, et cetera, has escalated from 7,127 in calendar year 1978 to 21,180 in 1981 to September 30. Our Examination Division currently has 16,620 cases in inventory involving illegal tax protesters.

In the criminal enforcement area, the Service has concentrated on leaders of the tax protest movement. For example, the leaders of the Flint, Mich., protest who espoused the filing of false W-4 withholding forms have been prosecuted, convicted, and sentenced. In our view, illegal tax protesters present a threat to the Government's voluntary tax system and the Service must continue to devote adequate resources to address this program.

Before discussing our enforcement programs aimed at narcotics trafficking, I would like to begin by outlining briefly the Service's overall efforts to deal with criminal violations of our tax laws. The IRS Criminal Investigation Division [CID] allocates resources to two areas, a general enforcement program [GEP] and a special enforcement program [SEP]. Our general program is aimed at those individuals and businesses deriving their income from legal activities but attempting to illegally shield that income from tax collection. For example, illegal tax protesters and promoters of fraudulent tax shelters are included in the general program.

Our special program deals with those individuals and organizations deriving substantial income from illegal activities, most of which also is not reported to the IRS. Such illegal activities include narcotics trafficking, gambling, labor racketeering, organized crime, and other activities.

During fiscal year 1982 the Service plans to devote approximately 45 percent of its criminal investigation direct investigative time to the special enforcement program. This is a substantial increase over the 29 percent the program received in fiscal year 1980, and reflects our continued belief that the enormous profits reaped by organized crime must not be allowed to escape taxation.

The Criminal Investigation Division's total case inventory, as of September 30, 1981, consists of 5,582 criminal investigations, of which 3,514 are general enforcement program cases and 2,068 or 37 percent involve cases related to illegal activities under the special enforcement program. Our overall commitment of resources to this program has continually increased over the past 5 years, up more than 40 percent this past fiscal year.

An important part of the Service's special program involves close coordination with other law enforcement agencies. These efforts include our participation in the Department of Justice Strike Force program, as well as our program to investigate high-level drug traffickers and financiers with assistance from Customs and the Drug Enforcement Administration, such as participation in the Florida cash flow project [Operation Greenback].

Recently we have also increased our participation in grand jury investigations. Our inventory of such cases has more than doubled over the past year. This increase is in part due to revisions in our procedures that streamlined the approval process for such investigations. In so doing, timeframes were established for each level of managerial approval—10 workdays for the Chief of the District's Criminal Investigation Division, 5 workdays for the District Director, 5 workdays for the Regional Commissioner, and 10 workdays for the Regional Counsel.

Approval authority for grand jury requests was delegated to our Regional Commissioners, who may redelegate that authority to the Assistant Regional Commissioners, Criminal Investigation. These approvals must receive the concurrence of the regional counsel. Expansions of existing grand jury authorizations now may be approved by District Directors with the concurrence of the Deputy Regional Counsel, Criminal Tax. Currently, we are considering additional revisions that would further enhance our participation in these proceedings.

On occasion, when working on a grand jury investigation, the evidence gathered for a tax case can also be used by the Government attorney to help support a racketeer influenced and corrupt organization [RICO] charge. Our agents, albeit on rare occasions, may complete a RICO investigation at the request of the Government attorney. This happens when we cannot proceed with the tax case but, due to the case knowledge possessed by our agents, the case is pursued in accordance with the IRS/DOJ agreement. Again, this is an example of our continuing cooperation with other law enforcement agencies.

To further enhance this cooperation as well as our capability to share information with other Federal law enforcement agencies, the Service has taken certain positive steps in working within the present disclosure statute. Internal Revenue Code section 6103 procedures covering disclosures for nontax criminal prosecution or investigation have been coordinated with the Criminal Division of the Department of Justice, and the Service assisted in the preparation of a manual for U.S. attorneys for their guidance in obtaining returns and return information. We have trained our employees and created disclosure officer positions in each district, region and service center to administer disclosure activities.

As our experience with the statute has grown, we have also undertaken numerous administrative changes to streamline the disclosure process. In particular, we have decentralized the approval and processing procedures for disclosure in order to be more responsive to requests for returns and return information. I have attached to my statement a summary listing the actions the Service has taken to decentralize.

With this perspective, I would now like to go into specifically what the Service has been doing nationally to investigate drug traffickers and later touch upon our participation in Operation Greenback in Florida. In increasing our special program resources, we have similarly placed a greater emphasis on criminal investigation of narcotics cases. For example, our inventory of narcotics cases under criminal investigation has continued to increase from 431 cases at the close of the fiscal year 1980 to 838 cases as of September 1981.

The number of investigations resulting in prosecution recommendations also increased substantially, from 49 in fiscal year 1980, to 170 in fiscal year 1981. In the civil area, the number of examinations in inventory increased from 2,102 at the close of fiscal year 1980 to 2,452 as of September 1981. Our Criminal Investigation Division has more than doubled its expenditure of special agent resources for narcotics investigations, from 232 staff years in fiscal year 1980 to 532 staff years in fiscal year 1981.

During fiscal year 1980, taxes totaling $81.2 million were assessed as a result of our narcotics traffickers program. During fiscal year 1981, $122.2 million has been assessed. Termination and jeopardy assessments have been important tools for quick attachment of funds on deposit. These particular actions are used when there has been a determination, or a reason to believe, collection of tax liability would be jeopardized if regular assessment procedures were followed.

A jeopardy assessment involves an immediate assessment and demand for immediate payment generally based on financial information covering a complete taxable year. A termination of taxable period assessment involves immediate assessment and demand for payment but is generally based on financial information covering less than the complete taxable year. I will submit for the hearing record our manual guidelines which discuss these enforcement actions in detail.

[The information referred to follows:]

INSERT - Pg. 50
Line- 15

4584 *(2-9-79)*
Jeopardy and Quick Assessments

4584.1 *(9-25-81)*
General

4584.11 *(9-25-81)*
Definitions

(1) The assessment of a deficiency or an additional tax (except in bankruptcy and receivership proceedings) will fall within the following categories:

(a) Quick Assessment—a quick assessment is made where the statutory period for assessing an additional tax or an agreed deficiency is about to expire.

(b) Jeopardy Assessment—jeopardy assessments are made in situations where prior to the assessment of a deficiency or tax, it is determined that collection of such deficiency or tax, would be endangered if regular assessment and collection procedures are followed. There are two IRC sections authorizing jeopardy assessments:

1 IRC 6861 grants the Service the authority for making jeopardy assessments where the collection of a deficiency involving an income, estate or gift tax is endangered. The jeopardy assessment in this situation would be proper where the due date for filing such returns (determined with regard to extension) has expired.

2 IRC 6862 grants the Service the authority for making jeopardy assessments where any tax *other than* an income, estate or gift tax is jeopardized. The assessment can be made even where the due date for filing such tax return has not expired.

(c) Termination Assessment—a termination assessment is made when it is found that a taxpayer designs to do an act which would tend to prejudice, or to render wholly or partially ineffectual, the collection of *income taxes* for a current or immediately preceding taxable year, unless collection proceedings are brought without delay. Under IRC 6851, a termination assessment with respect to an income tax, can be made any time prior to the expiring of the due date for filing such return (determined with regard to extensions).

(d) Regular Assessment—a regular assessment includes all assessments not processed as either (a), (b), or (c) above.

(2) Bankruptcy cases commenced prior to October 1, 1979, will be assessed as "quick" assessments. (see IRM 4583.1). For procedures regarding bankruptcy case commenced October 1, 1979, and subsequently see IRM 4583.2.

4584.12 *(9-25-81)*
Recommendation Procedures for Quick Assessments

(1) Quick assessments may be requested using Form 2859 (Request for Quick or Prompt Assessment). Form 2859 is usually prepared in quadruplicate. Original and one copy are sent to the service center, one copy is retained by preparer, and in bankruptcy cases one copy is sent to Special Procedures function. (See IRM 4583.1)

(2) Telephone requests for quick assessments may be made to the service center when warranted. (See ADP Handbook 3(17)(46)3 for service center procedure.) Such telephone requests must be followed promptly with properly approved Form 2859. The following information must be furnished when requesting a quick assessment by telephone:

(a) name, address, and EIN or SSN of taxpayer;

(b) type of tax;

(c) taxable period;

(d) amount of tax, penalty, and interest to be assessed;

(e) amount of payment, if any, and balance due; and,

(f) to provide the information necessary for an automatic recomputation of tax rebate on quick assessments for the return period of 7412 through 7511, the following information, in addition to (a) through (e) above must be furnished.

1 A statement whether the assessment is for a return not yet processed or an adjustment to a return previously processed. This becomes particularly relevant for telephonic requests for which the service center has no documents from which to make a determination.

a If for a return not yet processed, the tax to be assessed must be the total correct income and self-employment taxes and the total correct adjusted gross income.

b If an adjustment, the amounts must be the adjusting amounts, i.e., the increase or decrease in tax (total income and self-employment), and adjusted gross income.

4584.2 *(9-25-81)*
Jeopardy Assessments

(1) All jeopardy assessments have the common characteristic that prior to assessment it is determined that collection will be endangered if regular assessment and collection procedures are followed. Jeopardy assessments are made under IRC 6861 or 6862 and include deficiencies, and additional and delinquent taxes. In determining whether a jeopardy assessment will be made, at least one of the following conditions contained in policy statement P-4-88 must exist. The conditions are:

(a) the taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself/herself;

(b) the taxpayer is or appears to be designing quickly to place his/her or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons;

(c) the taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, penalty and interest.)

(2) Jeopardy assessments should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. However, where the conditions described above exist, serious consideration should be given to their use in order to protect the government's interest. The assessment should be limited to an amount which reasonably can be expected to equal the liability due.

(3) It is incumbent upon all examiners to be alert for conditions, as set forth in Policy Statement P-4-88, where a jeopardy assessment may be necessary to protect the government's interest. Areas where a jeopardy condition *may* arise include, but are not limited to the following:

(a) Narcotic Cases

(b) Cases involving Taxpayers engaged in organized crime (SEP 1)

(c) Wagering Cases (SEP 2)

(d) Strike Force Cases (SEP 3)

(e) Cases involving taxpayers who are reasonably believed to be receiving income from an illegal activity (SEP 4) (See IRM 4566 for a detailed definition of SEP Cases).

(f) Cases involving taxpayers known or suspected of having plans for leaving the United States without making provisions for payment of their taxes (ie., aliens generally considered as border hoppers).

(4) It is important to note, that the conditions set forth in Policy Statement P-4-88, and mentioned in (1) above, must exist for a jeopardy assessment to be considered. The mere fact that a taxpayer is the subject of a SEP investigation, is not sufficient grounds for a jeopardy assessment.

4584.3 *(9-25-81)*
Approval Prior to Jeopardy Assessment

(1) All jeopardy assessments must be personally approved by the District Director or the Director of International Operations. A District Director or the Director of International Operations may request advice in any case relative to the three conditions in IRM 4584.2:(1). These requests for advice should be directed to the Regional Commissioner for the attention of the Assistant Regional Commissioner (Examination). This official may, at his/her discretion refer the matter to the National Office Examination Division, (CP:E:S:S) for consideration and coordination with the Director, Collection Division. (See Policy Statement P-4-88).

(2) Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a jeopardy assessment should not be made without prior notification of the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Commissioner. Examples of such cases include banks, newspapers, insurance companies, hospitals, and public utility companies. (See Policy Statement P-4-88).

4584.4 *(9-25-81)*
Potential Criminal Cases

(1) After the referral of a case to Criminal Investigation, or during the joint investigation, it shall be the continued responsibility of the Examination and Criminal Investigation functions to make periodic reviews of the facts and circumstances involved in the case to assure that the government's interests are adequately protected.

(2) If the facts and circumstances indicate that the collection of a deficiency, or additional tax is in jeopardy, the provisions of Policy Statement P–4–84 must first be considered.

(3) Where the Criminal Investigation function does not concur with the Examination Function proposal that a jeopardy assessment should be made, the District Director should be advised of the facts and circumstances in the case. The District Director will make any necessary decision, and he or she may request the advise of District Counsel.

4584.5 *(9-25-81)*
Recommendation Procedures for Jeopardy Assessments

(1) When it is determined that collection will be jeopardized by delay if regular assessment and collection procedures are followed, a recommendation for jeopardy assessment will be made by the responsible division as provided in IRM 4584.6. Form 2644 (Recommendation for Jeopardy Assessment/Recommendation for Termination Assessment) is provided for this purpose. A separate Form 2644 in triplicate will be prepared for each taxpayer in cases involving transferor-transferee liability or assessment of 100 percent penalty as provided in IRC 6672. In addition, Form 2645 (List of Property Belonging to Taxpayer) should be prepared to the extent practicable, setting forth the property of the taxpayer.

(2) The recommendation for jeopardy assessment is accompanied by a report showing reasons for the belief that collection of the tax is in jeopardy, and a computation of tax. (See Section 4584.7 for report requirements.)

(3) The responsible division shall refer the complete file relating to the proposed jeopardy assessment for concurrence or comment to the Chief of the Collection function; to the Chief, Examination Division; Chief, Quality Review Staff and, if time permits, to District Counsel prior to referral to the District Director for *personal* approval. The Office of District Counsel will review the recommendation to determine whether there is sufficient basis in fact to defend any lawsuit which may be brought challenging whether the jeopardy assessment action was warranted and whether the amount to be assessed or demanded as a result of the proposed action is appropriate under the circumstances. The tax will be assessed after the District Director's approval of the action. If time does not permit prereview by District Counsel, a copy of the file with copies of Form 2644, computation of the tax and Notice of Jeopardy Assessment (Pattern Letter 1584(P) (Rev 8-81) will be sent to District Counsel after assessment. (Exhibit 4580–4)

(4) The review by Collection function will ensure that the most qualified people will determine whether collection of the tax is in jeopardy. Because of the urgency usually involved in jeopardy assessment cases, the file will be given the highest priority of handling within and between the various divisions.

(5) If a recommendation for a jeopardy assessment is received from another organizational unit of the Service, the Treasury Department or Justice Department, the recommendation will be transmitted to the Chief, Examination Division, who will ascertain the status of the case. If the information shown on the recommendation is too general and vague to support a jeopardy assessment, the recommendation will be assigned to a revenue agent or special agent, as the case may be, to develop as expeditiously as possible the facts necessary for approval or disapproval. Any such oral recommendation received must be confirmed in writing prior to referral to the District Director for approval or disapproval.

(6) If the recommendation is approved by the District Director, the file will be transmitted to the Accounting Branch in the Computer Services and Accounting Division in the service center, for jeopardy assessment. After assessment has been accomplished, the service center returns the file with the two copies of Form 2644 to the Quality Review Staff for further administrative action. The original Forms 2644 and 2645 are retained by the service center.

(7) Telephone requests for jeopardy assessments may be made to the service center when warranted. (See ADP Handbook 3(17)(46)3 for service center procedure.) Such telephone requests must be followed promptly with transmittal of the properly approved Form 2644. When a jeopardy assessment is requested by telephone, the following information must be furnished:

(a) affirmative statement that the District Director has approved Form 2644;

(b) name, address, and EIN or SSN of taxpayer;

(c) type of tax;

(d) taxable period;

(e) amount of tax, penalty, and interest to be assessed;

(f) amount of payment, if any, and balance due;

(g) to provide the information necessary for an automatic recomputation of tax rebate on jeopardy assessments for the return period of 7412 through 7511, the following information, in addition to (a) through (f) above must be furnished.

1 A statement whether the assessment is for a return not yet processed or an adjustment to a return previously processed. This becomes particularly relevant for telephonic requests for which the service center has no documents from which to make a determination.

a If for a return not yet processed, the tax to be assessed must be the total correct income and self-employment taxes and the total correct adjusted gross income.

b If an adjustment, the amounts must be the adjusting amounts, i.e., the increase or decrease in tax (total income and self-employment), and adjusted gross income.

4584.6 *(2-9-79)*
Responsibility for Recommending Jeopardy Assessments

(1) The Examination function is responsible for recommending jeopardy assessments in cases under active consideration in Examination. (See IRM 4581.)

(2) The Criminal Investigation function is responsible for recommending jeopardy assessments in cases under active consideration by Criminal Investigation and for jeopardy assessments in cases under joint active consideration by Criminal Investigation and Examination.

(3) Collection function is responsible for recommending jeopardy assessments in any case in which collection of the tax would be jeopardized by delay, except those cases under active consideration by Examination or Criminal Investigation. If Collection function receives or develops information on cases under active consideration by Examination and Criminal Investigation indicating that collection will be jeopardized by delay, the Chief, Collection function, furnishes a report thereof to the appropriate function.

(4) If, during Appeals consideration of a case, it is determined that a jeopardy assessment may be advisable, a memorandum setting forth the facts in the case is forwarded to Examination. In these cases the responsibility for recommending jeopardy assessments lies wih Examination. (See IRM 4584.(11).)

(5) Although the basic responsibility for recommending jeopardy assessments will be as provided herein, this does not preclude any other function from submitting pertinent information regarding the matter to the responsible function for its consideration.

4584.7 *(9-25-81)*
Examiners' Reports

(1) Evidence indicating jeopardy and information regarding the taxpayer's financial condition should be developed to the maximum extent so that all possible information which should be considered in determining whether a jeopardy assessment is proper under the circumstances will be available for technical review of the case before referral to the District Director for approval.

(2) Due to the many conditions and factors having a bearing upon recommendations for jeopardy assessments, the establishment of specific guidelines for preparing reports in support thereof, in every case, is difficult. However, in establishing the applicability of any one or all of the conditions for making a jeopardy assessment, per Policy Statement P-4-88, the following areas should be explored with regard to those conditions:

(a) *Factors establishing flight*

1 Is there any evidence which would indicate that if the taxpayer were free on bond, he/she would flee the United States or conceal himself/herself?

2 What is the taxpayer's citizenship status? A resident alien? A non resident alien temporarily in the United States? An illegal alien? If the taxpayer is an alien legally in the United States, would his/her conviction on a specific offense result in his/her deportation?

3 Does the taxpayer have a passport? If so, is it in his/her name or the name of an alias?

4 Does the taxpayer have any previous convictions for offenses that would indicate a proclivity toward flight?

5 Is the taxpayer wanted by the police as a fugitive from another jurisdiction?

6 Is there any indication that the taxpayer was about to leave the country, such as airline tickets seized from his/her person at the time of arrest?

(b) *Factors establishing concealment or transfer of assets:*

1 Does the taxpayer own any fixed assets, or does he/she deal solely in cash?

2 If the taxpayer drives a car, is the car registered in his/her name or is he/she using a nominee?

3 What are the circumstances concerning the taxpayer's residence? If he/she lives in leased premises, are they leased to him/her or to someone acting as a nominee? If the taxpayer was residing in a single family house, was the title held in his/her name or in the name of a nominee?

4 If the taxpayer was arrested with a large sum of money on his/her person, what are the circumstances concerning this money? Were there indications that the money belonged to him/her?

5 Has the taxpayer ever used an alias to conceal his/her identity?

6 At the time of a taxpayers arrest, was there an attempt, by the taxpayer, to destroy evidence?

(c) *Factors establishing insolvency*

1 Are there any TDA's open with respect to the taxpayer under his/her name, or any alias he/she may have used in the past?

2 Did a search of the local Courts reveal any outstanding judgments against the taxpayer?

3 Has the taxpayer ever been adjudicated a bankrupt?

(d) The above lists of factors are not all inclusive, and where time is of the essence, should be explored to the extent practicable.

(3) Case files recommending jeopardy assessments should contain the following information to extent practicable:

(a) Name, address, EIN or SSN of taxpayer;

(b) A complete computation of taxable income;

(c) Tax and penalty to be assessed by years, quarters or period;

(d) The nature of the taxpayer's business or activity;

(e) The taxpayer's present financial condition;

(f) Information regarding the taxpayer's activity giving rise to the recommendation, such as transfer of assets without consideration; pending damage, libel or slander suits, etc.;

(g) Records with respect to continuing business or personal losses;

(h) The taxpayer's record for resisting payment of taxes in the past, if known;

(i) The nature and location of the taxpayer's assets and the source of income;

(j) Filing record of taxpayer;

(k) Any other information having a bearing upon the taxpayer's financial condition, future prospects for losses, etc.

(4) The report should contain sufficient information upon which to base a recommendation. A statement that a taxpayer is converting assets into cash would generally not be sufficient to support a recommendation for a jeopardy assessment, unless such a statement is accompanied by reference to evidence that may indicate intention of the taxpayer to leave the country, dispose of assets at a loss, dissipate assets, invest assets in an illegal enterprise, or any other activity which might jeopardize the revenue.

(5) Computations of income, estate and gift tax deficiencies and delinquent or additional employment or excise tax, and computation of collected taxes subject to the 100 percent penalty must be reasonable and not excessive, arbitrary or capricious. *The resulting assessment should be that which equals or can be expected to equal the ultimate liability due.*

4584.8 *(9-25-81)*
Procedures After Assessment

(1) IRC 7429(a) provides for administrative review of jeopardy and termination assessments. Within *five* days after the day on which an assessment is made the taxpayer shall be provided a written statement of the information upon which the Service relies in making such assessment. The written statement must meet Code requirements for citing reason(s) the District Director or Director of International Operations believes collection of the tax would be jeopardized and providing a computation of the tax Pattern Letter 1584(P) (Rev. 8-81) meets such requirements. See Exhibit 4580-4.

(2) The Notice of Jeopardy Assessment and Right of Appeal must state the specific facts and reasons the District Director relies upon in making the assessment. The information available at the time of the assessment and subsequently developed will be used by the Service to prove that the action taken is reasonable under the circumstances. At least one of the conditions contained in Policy Statement P-4-88 must be found to exist. See IRM 4584.2:(1). A computation of the tax determined due for assessments under IRC 6861, or a copy of the computation of additional tax or any delinquent tax for assessments under IRC 6862, will be

attached to the Notice. The last two paragraphs of Pattern Letter 1584(P) (Rev. 8–81) explain taxpayer appeal rights when merits of the liability cannot be settled within the Service. The second to the last paragraph of the Pattern Letter relates to IRC 6861 assessments and the last paragraph relates to IRC 6862 assessments.

(3) Policy Statement P–1–190, Identity of Confidential Informants to be Protected, provides that: "Releases of information . . . may not contain any information or leads as to the identity of an informant." Accordingly, when showing the reason(s) the District Director believes collection of the tax would be jeopardized if normal assessment and collection procedures were followed, no information which would identify or tend to identify a confidential informant should be revealed. In some cases proper adherence to the principle of Policy Statement P–1–190 will require that the Service completely forego the making of a jeopardy or termination assessment in order to protect the informant.

(4) The Notice of Jeopardy Assessment and Right of Appeal and Notice and Demand to pay the tax should be presented to the taxpayer. A Form 3552 (Prompt Assessment Billing Assembly) may be used for Notice and Demand. It is preferable that a revenue officer personally deliver all necessary documents to the taxpayer. In all cases, a diligent effort should be made to make personal delivery. If the taxpayer's location is unknown, or if the taxpayer cannot be contacted, the documents should be mailed by U.S. Certified Mail (Registered Mail if outside the U.S.), return receipt requested, to the last known address of the taxpayer. The case file will be annotated to show why mail delivery was used. The Notice must be provided as soon as possible after assessment and within five days after assessment to avoid loss of time in which the Service may review its case prior to taxpayer's request for review. District Directors usually designates authority to an officer or employee under their supervision to issue and sign the District Director's name to the Notice.

(5) The taxpayer may file a written request for review of the assessment action within 30 days after delivery of the notice, or within 30 days after the last day of the period within which the notice is required to be furnished. The Appeals Office will consider the taxpayer's request for administrative review. When feasible, a conference will be granted immediately and a decision rendered within 15 days after the request is filed. The Appeals Officer will give full consideration as to whether or not:

(a) the making of the assessment is reasonable under the circumstances, and

(b) the amount so assessed or demanded as a result of the action taken is appropriate under the circumstances.

(6) The file will be forwarded immediately to the Appeals Office so that a conference can be held and a determination rendered prior to the 16th day after the request for administrative review was made when the taxpayer may bring civil action in the U.S. District Court.

(7) The Appeals Office will consider the items in (5) above, and will make a determination based on the protest and any additional information furnished by the taxpayer. If the taxpayer provides new information or documentation to the Appeals Officer, the District Director may be requested to comment on the new evidence. However, Appeals will retain jurisdiction over the case.

(8) Appeals' determination will result in one of the following actions:

(a) district action sustained in full (the action and the amount of tax are correct);

(b) district action sustained in part (the amount of tax is redetermined);

(c) a decision that the action was *not* warranted; (i.e., the collection of the tax was not in jeopardy); or

(d) taxpayer agreement with the action taken and the amount assessed in full or in part.

(9) If the district's decision is sustained in full and the taxpayer does not agree with this determination, the taxpayer will be informed of rights for judicial review and the file will be returned to the district office. If the district's proposal is sustained in part and the taxpayer does not agree, Appeals will promptly notify the district office so appropriate action can be taken to abate the excessive assessment. In the event the taxpayer and Appeals reach an agreement concerning the amount of tax, the taxpayer will be requested to pay the tax. The district will be notified to abate any excessive tax assessed as determined by Appeals. If it is determined that the action was not warranted, the district will be notified by Appeals to abate the entire amount of the assessment, release liens and any levies, as appropriate, and effect appropriate refund or credit.

(10) IRC 7429(b)(1) authorizes taxpayers to initiate judicial review of jeopardy assessments if they first have requested the District Director for an administrative review. This civil suit against the United States must be commenced only in the U.S. District Court for the judicial district in which the taxpayer resides or in which the taxpayer's principal office is located. The taxpayer may bring the suit within 30 days after the earlier of:

(a) the day the Service notifies the taxpayer of the determination of the administrative appeal, or

(b) the 16th day after filing a request for administrative review. Saturday, Sunday, or a legal holiday in the District of Columbia shall not be counted as the last day of any period.

(11) The Court shall determine the reasonableness of making the assessment under the circumstances and the appropriateness of the amount assessed or demanded under the circumstances. The burden of proof shall be upon the Service in respect to the issue of reasonableness of making the assessment. The burden of proof shall be upon the taxpayer in respect to the issue of the appropriateness of the amount assessed or demanded. Any determination made by a district court under IRC 7429 shall be final and conclusive and shall not be reviewed by any other court.

(12) Under IRC 6861(b), a notice of deficiency must be issued within 60 days after the jeopardy assessment is made under IRC 6861(a) if no such notice relative to the jeopardy assessment was issued prior to the assessment. It shall be for the amount assessed or the determined reduced amount if it is not issued before determination in appeals under IRC 7429. The merits of the liability are appealable under the usual procedures. Strict controls must be established by the office having jurisdiction of the case to assure time for District Counsel review before issuance. (See Exhibit 4580-3.)

(13) District Directors will establish a liaison system in their districts to ensure that jeopardy and termination assessment and collection procedures are properly administered through the period the taxpayer can petition the District Court or Tax Court. This liaison is necessary to protect both the Government's and the taxpayer's interest. Under IRC 6863 new restrictions are placed on the type of collection action which can be pursued. The Chief of the Special Procedures function or Chief, Technical and Office Compliance Branch Group (TOC) has overall responsibility for necessary liaison between the Examination, Collection and Criminal Investigation functions, the Appeals Office and District Counsel. Responsible Service employees must keep the Chief, of the Special Procedures function or TOC, informed of the status of the case. Copies of the assessment files (Form 2644 and attachments and Notice of Jeopardy Assessment and Right of Appeal) and taxpayer's request for administrative appeal will be supplied. The Chief's responsibility is strictly liaison and the responsibility for taking necessary actions on any case remains with the organization having jurisdiction for taking the required actions.

(14) If the taxpayer commences a proceeding in the District Court to review the action taken by the Service, the Chief of the Special Procedures function or TOC, will notify District Counsel. All of the file, including the request for administrative appeal and information developed in reviews, should be gathered and transmitted by SP function or TOC to District Counsel within one working day. Administrative hearings will be suspended pending court action. However, a copy of the file will be retained to issue a notice of deficiency within 60 days after the assessment.

(15) The Chief of the Special Procedures function or TOC, will be kept informed of efforts of the taxpayer to post bond to stay collection or to make other arrangements, such as an escrow agreement, to assure payment of the tax or otherwise provide proof that the tax was not in jeopardy. (See IRC 6863.)

4584.9 *(8-22-80)*
Processing Abatements

(1) During administrative and judicial reviews of the assessment action provided under IRC 7429, there will be some determinations that the jeopardy assessment has been improperly made or that the amount assessed was excessive. To effect such abatements for cases open in Examination, Form 5344 (Examination Closing Record) will be prepared to decrease tax, penalty and interest as determined in Appeals or the District Court. Form 3870 (Assessment Adjustment Document) will be used in other cases. A copy of all documents will be forwarded to the Chief, SPS or TOC, as provided in 4584.8:(13). The Chief, SPS or TOC, will relay this information to the Chief, Collection Division, to advise him/her of the redetermined

liability, of any restrictions on the collection action which may be pursued, or of a final decision of the District Court which may permit sale of seized property.

(2) If the District Director believes an assessment under IRC 6851 or 6861 is excessive in amount, or if it is shown to the satisfaction of the District Director that jeopardy does not exist, he/she may abate the assessment in whole or in part under provisions of IRC 6861(g). Abatement may not be made after a decision of the Tax Court in respect of the deficiency has been rendered or, if no petition is filed with the court, after expiration of the period for filing such petition. (Reg. 301.6861-1(f).) Regulations presently providing requests for abatements of jeopardy assessments now are considered to refer to taxpayers' requests for administrative review of jeopardy assessments. However some jeopardy assessments may be abated in whole or in part by the District Director if he/she finds, without taxpayer's written request for review, an error in fact, judgment or computation. Such abatements are to be approved by the District Director and processed with Form 5344 or Form 3870. (Reg. 301.6861-1(e).)

(3) A copy of the statement of reasons for granting an abatement not resulting from request for administrative review or later court action shall be forwarded promptly to the office of the Assistant Regional Commissioner (Examination) for review. ARC (Examination) disagreement with the action taken should be communicated to the District Director immediately. Copies of the District Director's statement of reasons and the Assistant Regional Commissioner (Examination)'s comments also will be included in the file of any jeopardy case forwarded or previously forwarded to the National Office for review.

(4) When a jeopardy assessment previously made has been abated, proceedings should, of course, be begun to assess and collect any deficiency or additional tax in the regular manner.

4584.(10) *(8-22-80)* Immediate Review and Issuance of 90-day Letters

(1) Immediately after assessment and delivery of Notice of Jeopardy Assessment and Right of Appeal to the taxpayer, copies of the case files; including Forms 2644 and 2645, examiner's report and the Notice with computation of tax, will be forwarded to the office of the Assistant Regional Commissioner (Examination) for review and analysis. This review will be given highest priority and performed in accordance with IRM 4877. The case file will be retained by the District or Appeals for cases under their jurisdiction and monitored for issuance of the notice of deficiency required by IRC 6861(b) within 60 days from the date of the assessment if none had been issued prior to assessment.

(2) Copies of taxpayer requests for administrative review and reports of reconsideration by Appeals Office will be sent to the ARC (Examination) to be analyzed, recorded and associated with the retained copies of the assessment files. Information concerning district court determinations and orders also will be forwarded to the ARC (Examination).

(3) Except in cases pending in Appeals, the district Examination function is responsible for issuing notices of deficiency in jeopardy assessment cases. Copies of such notices will be forwarded to ARC (Examination) for review and association with the jeopardy case file. District Counsel will prereview the notice as directed in IRM 4469. If it is determined before the notice is issued that the deficiency for any year covered is either greater or less than the corresponding jeopardy assessment, the notice should reflect such determined deficiency. If the jeopardy assessment exceeds the corresponding deficiency, necessary steps should be taken forthwith to abate any portion of the excess remaining unpaid. If all or any part of such excess has been paid, no refund should be made until the case is closed.

(4) Jeopardy assessments made by the Office of International Operations will be immediately reviewed by the Assistant Regional Commissioner (Examination), Mid-Atlantic Region. Notice of deficiency will be prepared, then prereviewed by the Mid-Atlantic Region's District Counsel's Office if time permits. Copies of files, as in district office cases, will be transmitted to the National Office Examination Division (CP:E:S:S) for post review in accordance with IRM 4877.

(5) For regional review of jeopardy assessment cases, see IRM 4877.

4584.(11) *(2-9-79)* Cases Pending Before Appeals

(1) The district Examination function occasionally investigates a case referred to it by the Appeals Office to determine the need for a jeopardy assessment (see IRM 4584.6). Examination will limit its investigation to a determination as to whether collection of the currently proposed deficiency is endangered by any circumstance that might affect adversely the taxpayer's ability to pay or the Government's ability to collect. Responsibility for making the final determination of the tax liability in controversy remains with Appeals.

(2) If, in a case referred by Appeals to Examination for such an investigation, it is found that a jeopardy assessment is not in order, the District Director promptly will return the case with a notice to that effect to the Appeals Office from which it was received.

(3) If it is determined that a jeopardy assessment should be made, such assessment will be made as provided in IRM 4584.5. The case and the jeopardy assessment file will be returned to the Appeals Office from which it was received.

(4) The District Director will retain copies of the jeopardy assessment file for receipt of any request for administrative review of the assessment action and the amount assessed. The file will be *immediately* forwarded to the Appeals Office that requested the jeopardy assessment.

(5) Complete liaison with the Chief, Special Procedures Staff or TOC, including furnishing files for civil action in the district court, will be the responsibility of Examination and Appeals. Examination function will provide a copy of the jeopardy assessment file and reports of redeterminations to the Assistant Regional Commissioner (Examination) for immediate review of the findings as to jeopardy as provided in IRM 4584.(10). In income, estate and gift tax cases Appeals' action will include issuance of any notice of deficiency required by IRC 6861(b).

(6) Any abatement of all or a part of a jeopardy assessment will be effected as provided in IRM 4584.9:(4).

4585 *(2-9-79)* Termination Assessments of Income Tax Under IRC 6851

4585.1 *(9-25-81)* Statutory Basis

(1) Under IRC 6851, when the District Director finds that a taxpayer is designing to do an act (including in the case of corporations distributing all or part of its assets in liquidation or otherwise) tending to prejudice, or to render wholly or partially ineffectual proceedings to collect the income tax for the current, or immediately proceeding taxable year unless collection is begun without delay, he/she can make a termination assessment. The income tax will become immediately due and payable. Therefore, a termination assessment with respect to an income tax, can be made any time prior to the expiring of the due date for filing such return (determined with regard to extensions).

(a) *Example* (Assume an individual calendar year taxpayer) On May 1, 1981, the District Director determines that the collection of income tax for the current taxable year (1981) is in jeopardy. He/she can make a termination assessment, and collect the income tax for the short period of January 1, 1981 through May 1, 1981.

(b) *Example* (Assume an individual calendar year taxpayer) In January of 1982, The District Director determines that the collection of income tax for the immediately preceeding tax year (calendar 1981) is in jeopardy. He/she can make a termination assessment as of December 31, 1981, and collect the income tax for the entire preceeding year. If he/she had made the above determination on April 16, 1982, assuming no extensions, a jeopardy assessment under IRC 6861 would be made.

(2) Termination assessments of income tax under IRC 6851 are based on conditions similar to those found in jeopardy assessments under IRC 6861.

(3) It is incumbent upon all examiners to be alert for conditions, as set forth in Policy Statement P-4-89, where a termination assessment may be necessary to protect the government's interest. Areas where the conditions in P-4-89 may exist include but are not limited to the following:

(a) Narcotic cases;

(b) Cases involving Taxpayers engaged in organized crime (SEP 1);

(c) Wagering cases (SEP 2);

(d) Strike Force cases (SEP 3);

(e) Cases involving taxpayers who are reasonably believed to be receiving income from an illegal activity (SEP 4) (See IRM 4566 for a detailed definition of SEP cases);

(f) Cases involving taxpayers known, or suspected of having plans for leaving the United States, without making provisions for payment of their taxes. (i.e., aliens generally considered as border hoppers).

(4) It is important to note that the conditions set forth in Policy Statement P–4–89, and mentioned in IRM 4585.2 *must* exist for a termination assessment to be considered. The mere fact that a taxpayer is the subject of a SEP investigation is not sufficient grounds for a termination assessment.

(5) Under IRC 6851, provision is made for assessment of the amount of tax so determined together with interest, additional amounts, and additions to the tax provided by law. Also, in the case of a current taxable year the tax for the period beginning on the first day of such current taxable year and ending on the date of the determination shall be determined as though such period were a taxable year of the taxpayer. Any prior determinations (termination assessments) with respect to the current taxable year shall be taken into account when computing tax for subsequent termination assessments in such current taxable year.

(6) A notice of deficiency is required under IRC 6851(b) for the taxpayer's full taxable year. See IRM 4585.(11):(6). Also, IRC 6861(f), relating to collection of unpaid amounts; and IRC 6861(g), relating to abatement if jeopardy does not exist, apply in termination assessments. See IRM 4585.9.

(7) IRC 7429, Review of Jeopardy Assessment Procedures, applies in termination assessments as well as jeopardy assessments under IRC 6861 and 6862. See IRM 4585.6.

4585.2 *(9-25-81)*
Responsibility for Recommending and Approving Termination Assessments

(1) Termination assessments under IRC 6851 will be made after the District Director or the Director of International Operations *personally* approves the recommendation of personnel of the Examination and Criminal Investigation functions. See Policy Statement P–4–89. Collection activity personnel will not initiate termination assessment recommendations.

(2) Termination assessments of income tax should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. However, where the conditions listed below exist, serious consideration should be given to their use. Assessments should be limited to amounts reasonably determined to be the taxpayer's liability for the period in question based on information available at the time. A termination assessment will be made if collection is determined to be in jeopardy because at least one of the conditions contained in Policy Statement P–4–89 exists. These conditions are:

(a) the taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself/herself;

(b) the taxpayer is or appears to be designing quickly to place his/her or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons;

(c) the taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, penalty and interest.)

(3) A District Director or the Director of International Operations may request advice in any case relative to the above conditions. Requests for advice should be directed to the Regional Commissioner for the attention of the Assistant Regional Commissioner (Examination). This official may at his/her discretion, refer the matter to the National Office Examination Division and for consideration and coordination with the Director, Collection Division. See P–4–89.

(4) Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a termination assessment should not be made without prior notification of the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Commissioner. Examples of such cases include banks, newspapers, insurance companies, hospitals, and public utility companies. See P–4–89.

4585.3 *(9-25-81)*
Potential Criminal Cases

(1) After the referral of a case to Criminal Investigation, or during the joint investigation, it shall be the continued responsibility of the Examination and Criminal Investigation functions to make periodic reviews of the facts, and circumstances involved in the case to assure that the government's interests are adequately protected.

(2) If the facts and circumstances indicate that the collection of a deficiency, or additional tax is in jeopardy, the provisions of Policy Statement P–4–84 must first be considered.

(3) Where the Criminal Investigation function does not concur with the Examination function proposal that a termination assessment should be made, the District Director should be advised of the facts and circumstances in the case. The District Director will make any necessary decision, and he or she may request the advice of District Counsel.

4585.4 *(9-25-81)*
Examination Procedures for Termination Assessments

(1) Most potential subjects for possible income tax violations come to the attention of the Service after arrests or criminal charges are placed against them. Gains or profit from their activities may be a principal source of income and such income is usually not reported on income tax returns. Some subjects are identified by normal audit of returns, some by other law enforcement agencies, some by informants, and some through other sources.

(2) Frequently persons arrested by the local police, Secret Service, Drug Enforcement Administration, Immigration and Naturalization Service, etc., have sizeable amounts of cash in their possession. A liaison should be developed whereby the arresting agency holds the seized money and immediately notifies Internal Revenue Service, the routing being to the Examination function through the Criminal Investigation function so that an assessment if warranted can be made against which the seized money will be applied. It is obvious that the person arrested will do his/her utmost to repossess his/her money, therefore, it is imperative that this type of activity be handled expeditiously.

(3) If information on hand indicates one of the conditions of Policy Statement P–4–89, cited in IRM 4585.2:(2), exists a report thereon must support and accompany Form 2644 (factors establishing the applicability of those conditions are similar to those found in IRM 4584.7:(2)(a), (b), and (c) relating to jeopardy assessments). The following information should be submitted in all cases to the extent practicable:

(a) name, address and social security number of employer identification number of taxpayer;

(b) a complete computation of taxable income;

(c) tax and penalty to be assessed;

(d) the nature of the taxpayer's business or activity;

(e) the taxpayer's present financial condition;

(f) information regarding the taxpayer's activity giving rise to the recommendation, such as transfer of assets without consideration;

(g) record with respect to continuing business or personal losses;

(h) filing record of taxpayer;

(i) the taxpayer's record for resisting payment of taxes in the past (collection delays and unpaid taxes);

(j) the nature and location of the taxpayer's assets and the source of his/her income;

(k) any other information having a bearing upon the taxpayer's financial condition, involvement in criminal activities, engagement in illegal enterprises or other activities generally regarded as illegal, future prospects for losses, etc. (See IRM 4585.6:(2) concerning the handling and reporting of information that might identify informants.)

(4) A termination assessment must be based on a reasonable computation of tax liability. An assessment equal to the amount of money or other valuable property held by a person at the time of arrest is not considered a reasonable computation unless supported by other facts. See IRM 4585.6:(2) for requirements for Notice of Termination Assessment of Income Tax, Pattern Letter 1583(P) (Rev. 8–81). See Exhibit 4580–1.

(5) The basis on which the adjusted gross income was computed will be stated. This will be an acceptable legal basis (for example, a source and application of funds statement or net worth computation). All known assets, liabilities, income and expenses will be considered. A reasonable estimate will be made of expenses, if appropriate. Also:

(a) Efforts should be made to locate and examine books and records, if any, of the tax-

(2) Regulations 301.6201 authorize assessments by District Directors and Service Center Directors. In certain situations, it may be advisable to assess the tax in the district office. Such procedure will be coordinated with the appropriate service center. However, assessment may be made by telephone call to the service center, Computer Services and Accounting Division. (See ADP Handbook 3(17)(46)3 for service center procedure.) The following information should be submitted in all cases to the extent practicable:

(a) affirmative statement that the District Director or the Director of International Operations has approved the termination assessment;

(b) name, address and SSN or EIN of taxpayer;

(c) type of tax;

(d) taxable year(s);

(e) amount of tax and penalty to be assessed under IRC 6851;

(f) amount of payment, if any, and balance due.

(3) The service center will process the assessment and notify the district of the Document Locator Number (DLN) and Form 23C (Certificate of Assessment) data. This information will be placed on Form 2644. Form 2644 and attachments will be forwarded promptly to the service center using Special Handling Notice (Form 3198) noted "Telephone Assessment." Form 3198 will be prepared as follows:

(a) under Expedite check "Other" and insert "Termination Assessment of Income Tax;"

(b) under "Special Handling" check "Process;"

(c) on last line check block "Other" and insert "Assessment (requested and) obtained by telephone. Do not make refund or post full year return."

(4) To prevent premature processing of any documents filed by the taxpayer, the Chief, Examination Division will request control over the Master File through use of transaction code TC 914. The top portion of Form 4135 (Criminal Investigation Control Notice) original and three copies, submitted for the signature of Chief, Criminal Investigation Division, will initiate the control. The Remarks section of Form 4135 will contain the following instructions, "This is a termination assessment of income tax. Do not post full year return. Send any returns received to Chief, Examination Division, ———District." Copies of the file with Form 4135 will be sent to the service center, and Collection function or Centralized Services function, as appropriate, to assure input of TC 914 by way of IDRS.

(5) Coordinating with the Chief, Criminal Investigation Division, the Examination function will be responsible for making a quarterly review of outstanding TC 914 accounts to determine if they are still needed. The Examination function will be responsible for terminating the control due to abatements or other actions, including disposals by final court decisions on merits of the liability.

(6) Form 2363 (Master File Entity Change) will be prepared and forwarded with the file to the appropriate service center to eliminate filing requirement. An assessment establishes filing requirements for a taxpayer. Form 2363 removes the filing requirements until the liability is determined. A return package for the current year will not be sent from the service center. The taxpayer should be instructed to file a return plus a copy of Pattern Letter 1583(P) with the District Director of the district in which he/she resides.

4585.6 *(9-25-81)*
Procedures After Assessment

(1) IRC 7429(a)(1) requires the Service to provide the taxpayer with a written statement of the information relied upon in making the assessment. The statement must be provided as soon as possible after assessment but within 5 days after the day on which the assessment is made. The taxpayer may, under IRC 7429(a)(2), request administrative review of the action taken within 30 days after the day on which the statement is provided or within 30 days after the last day of the period within which the statement is required to be furnished. The request for review may be made as early as the sixth day after the day on which the assessment was made.

(2) Pattern Letter 1583(P) (Rev. 8-81), Exhibit 4580-1, is used to state the reason(s) the District Director finds collection of the tax would be jeopardized if normal assessment and collection procedures were followed. This Notice of Termination Assessment of Income Tax must state the specific facts and reasons the District Director relies upon in making the assessment. The information available at the time of the assessment and subsequently developed will be used by the Service to prove that the action taken is reasonable under the cir-

cumstances. At least one of the conditions contained in Policy Statement P-4-89 must be found to exist. See IRM 4585.2:(2). However, information that may reveal the identity of an informant will be kept confidential. (See 520:(4) of IRM 428(10), Report Writing Guide for Income Tax Examiners.) Enclosed with the Notice, the taxpayer receives a computation of income and tax with a statement as to the basis on which income is computed. The Notice informs the taxpayer of appeal rights concerning the assessment. In completing Pattern Letter P-49, the date of the current taxable year or the preceding taxable year will be inserted as appropriate; that is, for a termination assessment made July 1, 1978, the year "1978" will be inserted under the heading "taxable year" if the taxpayer is a calendar year return filer.

(3) The Notice should be prepared in an original with four copies. All should be dated as of the date presented or mailed to the taxpayer. The District Director usually designates an employee to issue and sign his/her name to the Notice. It is usually prepared by the Quality Review staff, Examination Division, and the original and one copy with computation is given to the Chief, of the Special Procedures function or TOC for personal delivery with a Notice and Demand to pay the tax. Form 3552 (Prompt Assessment Billing Assembly) may be used. If personal delivery cannot be made, these documents should be mailed immediately by U.S. Certified Mail (Registered Mail if addressed outside the U.S.), return receipt requested, to the last known address of the taxpayer. (See also IRM 4585.8, Liaison, and IRM 4585.(10), Regional Review of Termination Assessments.) An additional copy of the Notice with a tax computation schedule should be sent to Appeals Office. This will provide the person who would handle a protest ample time to review the file prior to assignment.

4585.7 *(9-25-81)*
Provisions for Administrative and Judicial Review

(1) The provisions of IRC 7429(a) and (b) are outlined in Pattern Letter 1583(P) (Rev. 8-81) which is delivered to the taxpayer as soon as possible after assessment. A written request for administrative review may be filed as early as the day following the day a written statement (Notice) is furnished or required to be furnished. The taxpayer must file such a request if a civil action in the U.S. District Court is contemplated. IRC 7429(a)(2) provides the taxpayer a remedy for delays in delivery. If the statement (Notice) is not delivered within five days after assessment, the taxpayer may still file a request for review within 30 days after the date the Notice is required to be furnished. A request for review may be filed as early as the sixth day after assessment, and a suit brought 16 days after such request. IRC 7429(d) states that Saturday, Sunday, or a legal holiday in the District of Columbia shall not be counted as the last day of any period. Exhibit 4580-2 should be helpful in determining Code provisions and computation of days.

(2) On receipt of the taxpayer's request for redetermination, or review of the action taken, it will be reviewed and associated with the administrative file and immediately forwarded to Appeals Office. When feasible, a conference will be granted immediately and a decision rendered within 15 days after the request is filed. The Appeals Officer will give full consideration as to whether:

(a) the termination assessment action is reasonable under the circumstances, (i.e., whether the collection of the tax was in jeopardy), and

(b) the amount assessed or demanded is appropriate under the circumstances.

(3) A determination should be rendered prior to the earliest date the taxpayer may bring civil action in the U.S. District Court, that is the 16th day after filing the protest with the District Director. Similarly, the Code provides time periods within which actions may be taken by the taxpayer. If the taxpayer fails to observe the limits provided, the Court would not have jurisdiction over the action. Therefore, it would be advisable to apprise the taxpayer of the latest date on which civil suit may be filed or brought.

(4) If the taxpayer provides new information or documentation to the Appeals Officer, the District Director may be requested to comment on the new evidence. However, Appeals will retain jurisdiction over the case. (See Delegation Order No. 160, as revised).

(5) Appeals' determination will result in one of the following actions:

(a) district action sustained in full (the action and the amount of tax are correct),

(b) district action sustained in part (the amount of tax is redetermined);

(c) a decision that termination action was not warranted (i.e., the collection of the tax was not in jeopardy);

(d) taxpayer agreement with the action taken and the amount assessed in full or in part.

(6) If the district's action is sustained in full and the taxpayer does not agree with this determination, the taxpayer will be informed of his/her rights for judicial review and the file will be returned to the district office. If the district's proposal is sustained in part and the taxpayer does not agree, Appeals will promptly notify the district office so appropriate action can be taken to abate the excessive assessment. In the event the taxpayer and Appeals reach an agreement concerning the amount of tax for the termination assessment, the taxpayer will be asked to pay the tax. The district will be notified to abate any excessive tax assessed as determined by Appeals. If it is determined that the termination action was not warranted, the district will be notified by Appeals to abate the entire amount of the assessment, release liens and any levies, as appropriate, and effect appropriate refund or credit. Upon disposition, the Appeals Office will return the file with a report in duplicate to the district Examination function.

(7) If the taxpayer files a civil suit at any time prior to conclusion of the administrative appeals, the Chief of the Special Procedures function or TOC, will gather the entire file, including the request for administrative review and information developed in conferences, and transmit it to District Counsel within one working day. Administrative hearings will be suspended pending Court Action. However, a copy of the file will be retained to issue a notice of deficiency within the required period for issuance, within 60 days after the later of the date the taxpayer files a return for the full taxable year or the due date of the return as extended. The 60 days does not commence to run until a return for the taxpayer's annual accounting period is filed. However, an audit of the full taxable year and normal deficiency procedures may be required.

(8) If the issue concerning the reasonableness of the termination assessment is ruled in favor of the taxpayer or the amount assessed was determined unreasonable, the file should be reviewed for development under normal deficiency procedures. This may require an audit for the full taxable year and requesting the taxpayer to file a return and/or preparing a "substitute for return" if none was filed, or if taxpayer refused to file. See IRM 4562.4 for procedures. A notice of deficiency would follow. If it is again found collection of the tax would be in jeopardy if normal procedures were followed, a recommendation for jeopardy assessment under procedures in IRM 4584 would not be precluded.

4585.8 *(2-9-79)*
Liaison

(1) For effective administration of jeopardy and termination assessment actions and collection procedures, District Directors will establish a liaison system in their districts. IRC 7429 establishes taxpayers' appeal rights by law and sets strict time tables on Service and taxpayer actions. Also, certain restrictions on the type of collection action which can be pursued have been incorporated in IRC 6863. During the period of making or hearing an appeal, the sale of seized property is generally prohibited. This liaison is necessary to protect both the Government's and the taxpayer's interest. The Chief, Special Procedures Staff (SPS) or (TOC) should have overall responsibility for necessary liaison between the Examination, Collection and Criminal Investigation functions, the Appeals Office, and District Counsel.

(2) Responsible Service employees must keep the Chief, SPS or TOC, informed of the status of the case from the time a copy of the assessment files are furnished. The Chief's responsibility is strictly liaison, therefore, the responsibility for taking necessary actions on a termination case remains with the organization having jurisdiction for taking the required actions. In addition, the Chief, SPS or TOC, should be kept informed at all times of what action is being taken with respect to a protest by the taxpayer.

(3) In the event the taxpayer commences a proceeding in the District Court to review the action taken by the Service, District Counsel will be notified by the Chief, SPS or TOC. The person performing the liaison function shall be responsible for transmitting the administrative file or files, including the report or findings of the Appeals Office to the District Counsel's office. The files will be provided within one work day. The commencement of a proceeding in District Court suspends any administrative review of the taxpayer's protest.

4585.9 *(11-21-80)*
Abatement Procedures

(1) The termination assessment of income tax may be abated in whole or in part under the provisions of IRC 6861(g). During administrative reviews a determination may be made that the assessment action was improper or excessive in amount. Also, the district court may determine that the making of the assessment is unreasonable or that the amount assessed is inappropriate and order the District Director to abate the assessment or to redetermine the amount assessed.

(2) An abatement of all or a part of the tax should be supported by the report of findings and a new computation of tax. An original and four copies should be prepared in order to supply a copy to the taxpayer; the Chief of the Special Procedures function; the ARC (Examination); and the service center. The case file will be routed as quickly as possible using Form 3870 (Assessment Adjustment Document), through the Chief, Quality Review Staff, of the originating district or Prime District servicing the originating district.

(3) District Court orders to abate all or a part of the tax should be related by District Counsel to the Chief of the Special Procedures function, who will return any files to the appropriate Chief, Quality Review Staff, for immediate processing of the abatement. If a part of the assessment remains, collection action may be resumed for the balance due. If an excess collection has been made, the service center should refund such excess. The file should reflect any address changes.

(4) When a termination assessment previously made has been abated in whole or in part because it was determined that the making of the assessment was unreasonable or that the amount of the assessment was inappropriate, the determination should be reviewed with the file to ascertain what follow-up action should be taken. The merits of the liability may be reconsidered in succeeding termination action for the current year or upon the taxpayer's filing of the return for the current year. When the district court order is based on a determination that the making of the assessment was unreasonable; that is, collection of the tax was not in jeopardy, Form 2363 (Master File Entity Change) will be prepared in Quality Review Staff to reestablish the taxpayer's filing requirement and Form 5346 (Examination Information Report) will be prepared to ensure examination of the taxpayer's current year return.

4585.(10) *(8-22-80)*
Regional Review of Termination Assessment Cases

(1) Immediately after assessment and delivery of Notice of Termination Assessment of Income Tax to the taxpayer, copies of case files including Forms 2644 (Recommendation for Jeopardy Assessment/Recommendation for Termination Assessment) and 2645 (List of Property Belonging to Taxpayer), examiner's report, and the Notice with computation of tax, will be forwarded to the office of the Assistant Regional Commissioner (Examination) for review and analysis. This review will be performed in accordance with IRM 4877.

(2) Copies of taxpayer requests for administrative review and reports of reconsideration by the Appeals Office will be sent to the ARC (Examination) to be analyzed, recorded and associated with the retained copies of the assessment files. Information concerning district court determinations and orders also will be forwarded to the ARC (Examination). Copies of notices of deficiency issued after examination of returns filed by the taxpayer for the year in which termination assessments were made will be forwarded to the ARC (Examination) for regional review.

(3) Termination assessments made by the Office of International Operations will be immediately reviewed by the Assistant Regional Commissioner (Examination), Mid-Atlantic Region. Notice of deficiency will be prepared, then prereviewed by the Mid-Atlantic Region's District Counsel's Office if time permits. Copies of files, as in district office cases, will be transmitted to the National Office Examination Division (CP:E:S:S), for post review in accordance with IRM 4877.

4585.(11) *(9-25-81)*
Followup Procedures and Notice of Deficiency

(1) IRC 6091(b) requires persons with respect to whom a termination assessment was made to file their full taxable year return with the office designated by regulations. Section 301.7429-1 of the Regulations incorporates the filing requirements contained in Pattern Letter 1583(P) (Rev. 8-81) (Notice of Termination Assessment of Income Tax). Individual taxpayers are directed to file the returns for their usual annual accounting period with the office of the District Director in which they reside. Corporate taxpayers are directed to file in the district in which their principal office is located. Such place of filing is directed to provide early receipt and time for necessary examination and issuing the Notice of Deficiency within the period, 60 days after filing, required by IRC 6851(b). This provision of the Code is expressly designed to afford taxpayers opportunity to appeal the merits of the liability to the Tax Court as early as possible. Due to the mobility of persons and their probable filing in a district other than in the one initiating termination action or with a service center, the Notice directs that a copy of it accompany the return. Returns not identified in time to issue a Notice of Deficiency within the 60 days after filing, should be examined.

(2) Controls of termination assessment files must be established to determine whether or not the taxpayer files a full year's return or the location of the filing. A systematic search of filing records should be required. Examination function has primary responsibility for doing this. The Returns Program Manager will maintain a file on all taxpayers subject to a termination assessment. Information received from all sources will be consolidated for followup. If the taxpayer fails to file by the due date of the return, an examination for the entire year should be initiated. If a return is not secured, the "substitute for return" procedures should be fol-

lowed. See IRM 4585.(11):7 below. If a taxpayer does file a return, but does not file it with his/her District Director as instructed in the Notice of Termination Assessment, Service personnel have the responsibility to identify and process these returns as quickly as possible. Returns hand carried or mailed to district offices should be sorted daily to spot those filed with Notice of Termination Assessment attached or inside and those claiming substantial refunds but not containing payment documents. These returns should not be forwarded to the service center for processing along with the usual shipment before inquiry of the Returns Program Manager or the Chief of the Special Procedures function or Technical and Office Compliance Group (TOC). The Returns Program Manager should have information on all termination assessments made during the current and prior years. The Chief of the Special Procedures function or TOC, would have copies of files and may have information from the Collection function as to the current address of these taxpayers. Collection function may have need for a current address. Also, requests by taxpayers subjected to termination assessments for extension of time to file returns should be related to these Service persons to permit followup or preparation of a proposed Notice of Deficiency on the information available.

(3) IRC 6212(a) and (b) require mailing of a Notice of Deficiency by certified or registered mail to the last known address of the taxpayer. The Notice of Deficiency required by IRC 6851(b) for the taxpayer's full taxable year (determined without regard to termination assessment(s) made) with respect to which such termination assessment(s) was made shall be mailed within 60 days after the *later* of the due date of the taxpayer's return for such taxable year (determined with regard to any extensions), or the date such taxpayer files such return. This provides little time to locate a return and issue a Notice, particularly when a return is filed with a different district office than the district which processed the termination assessment, or with a service center. The Master File will have a freeze code, TC 914, to prevent posting of any return or other document; however, to provide ample time in which to issue the Notice, it appears advisable to prepare a preliminary draft on the basis of information available. This procedure would be particularly appropriate when a termination assessment involved or included a preceding taxable year.

(4) The statutory deficiency may be in an amount greater or less than the termination assessment(s). If the assessment exceeds the corresponding deficiency, necessary steps should be taken forthwith to abate any portion of the excess remaining unpaid. If all or any part of the excess has been paid, no refund should be made until the case is closed.

(5) Notice of deficiency for the full taxable year in which a termination assessment of income tax was made, or in which more than one termination assessment was made, shall include such income or subsequent determination of income plus any other income and/or deductions determined by examination to be properly taken into account for such taxable year. Any amounts collected as a result of termination assessment(s) shall be treated as a payment of tax for such taxable year. IRC 6211(b)(1) relating to rules for application of the term deficiency, provides the tax shall be computed without regard to any credits resulting from the collection of amounts assessed under IRC 6851 (relating to termination assessments). The Chief of the Special Procedures function or TOC, should be kept informed of actions taken because of the restrictions in IRC 6863 concerning sale of seized property.

(6) Under IRC 6851(b), effective for terminations prior to March 1, 1977, a terminated taxable period was reopened each time a taxpayer was found to have received income within the current taxable year. IRC 6851(a)(2) as amended provides similar treatment by requiring the Service to take into account any prior determination with respect to such current taxable year so that the tax determined shall be for the period beginning on the first day of the current taxable year and ending on the date of the determination, as though such period were the taxable year of the taxpayer. IRC 6851(a)(3) provides that any amounts collected as a result of any termination assessments shall be treated as a payment of tax for such taxable year. When a prior determination in a current taxable year is included in a subsequent determination in the current taxable year, District Counsel should be consulted for advice.

(7) Upon filing of the full year return by the taxpayer subject to a termination assessment, the correct tax liability will be determined and, if a deficiency exists, a notice of deficiency will be issued in an amount reflecting the difference between the amount shown on the return and

the amount determined to be the correct liability. The deficiency may be in an amount greater or less than the termination assessment(s). See (4) above. Therefore, where the tax reflected on the full year's return equals the termination assessment, and an examination of the full year's return results in no additional tax or overassessment, the Notice of Deficiency, required by IRC 6851(b), need not be issued. However, where the taxpayer reports on his/her return an amount of tax that is less than the termination assessment, the Notice of Deficiency must be issued. If the taxpayer does not file a return at the end of the full year on or before the proper due date, the "substitute for return" procedures in IRM 4562.4 should be followed and a notice of deficiency issued. Since no return was filed by the taxpayer, the notice of deficiency will be issued in an amount determined to be the correct tax liability for the year.

(8) If the taxpayer files a petition with the Tax Court the procedures in IRM 4461.5 will be followed. In Tax Court cases appealed to a higher court, the procedures in IRM 4482.5 will be followed. If the correct liability, as finally determined for the full taxable year, is greater than the tax previously assessed for both the short period and the full taxable year, the difference will be assessed under IRC 6215.

(9) If an overpayment is determined by the Tax Court for the full taxable year, such overpayment may be credited, within the applicable period of limitations, under IRC 6402 against any outstanding liability of the taxpayer. Any remaining balance shall be refunded.

(10) Interest is allowed on a refund or credit from date of payment on assessment for the terminated period. After completing necessary action, Examination function will forward all the documents necessary for the service center to complete processing.

(11) Regional review procedures under IRM 4877 are applicable to all termination assessment files. IRM 4944, Double-Sealed Mailing, applies to most jeopardy and all termination files.

9263 *(1-11-79)*
Jeopardy or Termination Assessments

(1) The Criminal Investigation Division is responsible for recommending jeopardy or termination assessments in cases under active consideration by Criminal Investigation and in cases under joint active consideration with Examination or Collection.

(2) Jeopardy assessments authorized by IRC 6861 apply whenever the collection of a deficiency of income, estate and gift tax is in jeopardy after a taxable year or period has passed and the period for filing the required return and the payment of tax has passed. Jeopardy assessments authorized by IRC 6862 apply whenever the collection of a tax, other than income, estate, and gift tax, is in jeopardy, whether or not the time for filing the required return and the payment of tax has passed.

(3) Termination assessments, authorized by IRC 6851, apply whenever the collection of tax is in jeopardy before the end of a taxpayer's normal year or before the statutory date the taxpayer is required to file a return and pay the tax.

(4) IRM 9329 and 9634 should be reviewed prior to preparing or processing a report recommending a jeopardy or termination assessment.

(5) IRM 9320 and 9540 should be reviewed prior to preparation or processing a report recommending a jeopardy assessment.

9329 *(1-11-79)*
Jeopardy Situations

(1) Under a normal assessment, there is generally a considerable lapse of time between a taxpayer's first notice that the Service is seeking to collect taxes and the actual enforced collection of those taxes. On the other hand, when there is a sufficient indication that the collection of a tax may be in jeopardy, the Service may immediately assess and collect the tax. For this purpose, there are two basic types of special assessments—jeopardy assessments and termination assessments. Both types have the common characteristic that *prior to assessment* it is determined that collection will be endangered if regular assessment and collection procedures are followed.

(2) Jeopardy assessments are authorized by IRC 6861 and 6862. IRC 6861 applies to income, estate, gift and certain excise taxes when the due date for filing and paying the tax returns has expired. IRC 6862 applies to taxes other than income, estate, gift and certain excise taxes whether or not the due date for filing and paying the tax has expired. For example, IRC 6862 provides the authority for making a jeopardy assessment on an employment tax return whether or not the return due date has expired.

(3) Termination assessments, which are authorized by IRC 6851, may only be made on income tax liabilities. IRC 6851 specifically applies when the taxable year of a taxpayer has not ended, or when the taxable year has ended but the due date for filing the return, or the due date as extended, has not arrived.

(4) Jeopardy and termination assessments should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. They should be limited to amounts which reasonably can be expected to protect the Government, and they must receive the personal approval of the District Director (for OIO, the Director of International Operations).

(5) A jeopardy or termination assessment will be made by the Service if collection is determined to be in jeopardy because at least one of the following conditions exists:

(a) The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself/herself.

(b) The taxpayer is or appears to be designing quickly to place his/her or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons.

(c) The taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, penalty and interest.)

(6) Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a jeopardy or termination assessment should not be made without prior notification to the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Comissioner. Examples of such cases include banks, newspapers, insurance companies, hospitals and public utility companies.

(7) The Criminal Investigation Division is responsible for recommending jeopardy or termination assessments in cases under active consideration by Criminal Investigation and in cases under joint active consideration with Examination or Collection. In other instances, special agents should be alert for information indicating the possible existence of jeopardy situations and should report such information by memorandum to the affected division. Recommendations should be prepared on Forms 2644 (Recommendation for Jeopardy/Termination Assessment) and 2645 (List of Property Belonging to Taxpayer). See IRM 9634.3. Recommendations will be referred for concurrence or comment to the Chief, Collection Division; to the Chief, Examination Division; to the Chief, Special Procedures Staff; and, if time permits, to District Counsel prior to referral to the District Director for personal approval. In all reports originating in the Criminal Investigation Division regarding the assertion of a jeopardy or termination assessment, the Chief shall inform the District Director, in writing, whether it appears likely that criminal prosecution will be recommended in the case and also whether the assertion would imperil the successful investigation of the case if a prosecution recommendation is likely.

(8) Jeopardy assessment will be withheld in potential criminal tax cases to the extent necessary to avoid imperiling successful investigation or prosecution of such cases. On the other hand, when such action is warranted in those cases, it must be taken whenever it is feasible to do so. The District Director is responsible for this practice when jeopardy assessment recommendations are submitted to him/her for approval. See Policy Statement P–4–84.

(9) The Chief, Criminal Investigation Division, should coordinate with District Counsel any recommendation for jeopardy or termination assessment which affects pending prosecution cases. In cases pending with the Department of Justice, its views will be coordinated by District Counsel. In cases pending with the United States Attorney, his/her views should be obtained by the Chief. Telephone authorizations, although normally not desirable, can be obtained in exigent situations. Should the office which has jurisdiction over the case conclude that the assessment would imperil successful criminal prosecution, such assessment shall not be made until all the criminal features of the case which may be imperiled by the action, including appeals, have been completed. The recommendation for assessment may, however, be renewed if new circumstances make such action appropriate.

(10) IRC 7429, added by the Tax Reform Act of 1976, provides an expedited review of jeopardy and termination assessments. Within five days after the assessment, the Service must give the taxpayer a written statement of the information relied upon in making the assessment. Pattern Letter P–49 (Rev. 5–78) is used for this purpose and includes as an enclosure a computation of income and tax. The taxpayer may request administrative review of the assessment within thirty days after the day the statement is provided or within thirty days after the last day of the period during which the statement is required to be furnished. The Service has fifteen days to complete its administrative review. If the Service finds the assessment is inappropriate or excessive in amount, it may abate the assessment in whole or in part. If the administrative review is not satisfactory to him/her, the taxpayer may, within thirty days after the IRS review determination or the sixtieth day after the request for review, if earlier, bring action in the U.S. District Court for the district in which he/she resides. Within twenty days after the taxpayer begins the action, the District Court is to make new, independent determinations regarding the reasonableness of the jeopardy or termination assessment and the appropriateness of the amount assessed. The Commissioner has the burden of proving whether the making of the jeopardy assessment or termination assessment is reasonable under the circumstances, but the taxpayer has the burden as to the reasonableness of the amount assessed. The twenty day period may be extended by the court for up to forty additional days, but only on the request of the taxpayer. The court can order the IRS to abate the assessment or to redetermine the amount assessed in whole or in part. Any determination made by the court shall not be reviewed by any other court. A determination under IRC 7429 has no effect upon the determination of correct tax liability in a later proceeding.

9416 *(8-1-79)*
Jeopardy Assessments in SEP Cases

All Criminal Investigation personnel connected with SEP should be alert to situations where a jeopardy or immediate assessment of a deficiency may be appropriate. In addition, the need for collection action to secure assets should be considered during all SEP examinations and investigations. Although criminal sanctions generally take precedence over the civil tax aspects (policy statement P–4–84), exceptions may be made on a case-by-case basis to protect the best interest of the Government.

9634.3 *(1-11-79)*
Jeopardy and Termination Assessment Reports

(1) Form 2644, Recommendation Jeopardy/Termination Assessment, should be used for jeopardy or termination assessment reports. Special agents should also utilize Form 2645, List of Property Belonging to Taxpayer. Emergency situations may be handled orally and later documented by written reports.

(2) The following information should be submitted in all cases to the extent practicable:

(a) name, address and EIN or SSN of taxpayer;

(b) tax, penalty and interest to be assessed by periods;

(c) the nature of the taxpayer's business or activity;

(d) the taxpayer's present financial condition;

(e) information regarding the taxpayer's activity giving rise to the recommendation, such as transfer of assets without consideration;

(f) records or statements with respect to continuing business or personal losses;

(g) filing record of taxpayer;

(h) the taxpayer's record for resisting payment of taxes in the past (collection delays and unpaid taxes);

(i) the nature and location of the taxpayer's assets and the source(s) of his/her income;

(j) a statement as to the factual basis for the determination of taxable income and a schedule showing how the tax was computed;

(k) any other information having a bearing upon the taxpayer's financial condition, future anticipation of losses, etc; and

(l) information showing whether the case is, or has been, the subject of a joint investigation and whether criminal prosecution has been, or is likely to be, recommended.

(3) The following clearances will be secured:

(a) Group Manager, Branch Chief, and Assistant Chief (if applicable);

(b) Chief, Criminal Investigation Division;

(c) Chief, Special Procedures Staff;

(d) Chief, Collection Division;

(e) Chief, Examination Division;

(f) District Counsel (if time permits); and

(g) the District Director (for OIO, the Director of International Operations). Only the Director or Acting Director is authorized to sign Form 2644.

(4) If the recommendation for a jeopardy assessment involves a case pending in the office of the Chief, whether or not prosecution is to be recommended, one copy of the report recommending the jeopardy assessment, together with information as to the final action taken thereon in the district, will be forwarded by the Chief to the ARC (Criminal Investigation or Compliance). In such cases, complete information relative to the recommendation for a jeopardy assessment and the action taken thereon will be incorporated in the special agent's final report when it is submitted.

(5) If the recommendation for a Jeopardy assessment involves a case in which prosecution has been recommended and the case is no longer pending in the office of the Chief, an original and eight copies of the special agent's report recommending the jeopardy assessment will be prepared. Seven of the copies will be distributed in the same manner as the copies of the final report at the time advice is requested as to whether a jeopardy assessment would be prejudicial to the criminal case. The eighth copy, which would normally become part of the file transmitted to Examination in the district at the conclusion of the criminal features of the case, will be held by the Chief for transmittal to district Examination after the assessment has been made in order that district Examination may issue the statutory notice.

(6) The original of the special agent's report recommending a jeopardy assessment will be forwarded, together with a transmittal memorandum from the Chief, to the District Director for appropriate action. If it was necessary to obtain the comments of other officials as provided in IRM 9329, the transmittal memorandum will recite their views regarding the proposed jeopardy assessment. In such cases, the transmittal memorandum will be prepared in an original and eight copies and, other than the original, distributed in the same manner as the jeopardy assessment report. Prior to distribution of the copies of the transmittal memorandum, a summary of the assessment action taken shall be made thereon.

(7) When the Department of Justice or the United States Attorney does not concur in a jeopardy assessment recommendation in any case within their jurisdiction and the recommendation for jeopardy assessment has been renewed, reports of the new circumstances and a request for review of the prior recommendation will be processed in the same manner as set forth above for the original jeopardy assessment report.

9822.9 *(6-2-80)*
Use of Civil Enforcement Measures

(1) Predicated on the new forfeiture provision under the Controlled Substances Act, 21 USC 881(a)(6), DEA will seize and forfeit funds identifiable with and traceable to drug violations. Any such funds and assets are generally subject to forfeiture to the U.S. in their entirety and thus would not be an available source for satisfaction of any tax liability. However, the local IRS office will be contacted so that a tax levy on seized funds can be instituted on the chance that the forfeiture proceeding may be unsuccessful.

(2) Jeopardy assessments and terminations of taxable years will be made only in accordance with the provisions of the Internal Revenue Code and with IRS policy and procedure.

(3) Jeopardy assessments and terminations of taxable years will be used sparingly and only to protect the revenue when collection thereof is in doubt. Either type of assessment must receive the personal approval of the District Director. Before authorizing the use of IRC 6851 or 6861, See Exhibit 9820–3, it must be established that the taxpayer intends to perform one of the acts which will prejudice collection of the income tax unless collection action is begun without delay, and the taxpayer realized taxable income in the period or taxable year under consideration. Care must be taken to avoid excessive and unreasonable assessments. See policy statements P–4–68 and P–4–89 and IRM 9263, 9329, and 9634.3 for more specific instructions.

552 *(1-18-80)* 9781
Jeopardy Assessments

552.1 *(1-18-80)* 9781
References

The text of the law relating to jeopardy assessments is set forth in IRC 6861, 6862, and 6863 and IRM 9263, 9329, and 9634.3.

552.2 *(1-18-80)* 9781
Criminal Investigation Division Responsibility

The Criminal Investigation Division is responsible for recommending jeopardy or termination assessments in cases under active consideration by Criminal Investigation and in cases under joint active consideration with Examination or Collection. In other instances, special agents should be alert for information indicating the possible existence of jeopardy situations and should report such information by memorandum to the affected division. Recommendations should be prepared on Forms 2644 (Recommendation for Jeopardy/Termination Assessment) and 2645 (List of Property Belonging to Taxpayer). See IRM 9634.3. Recommendations will be referred for concurrence or comment to the Chief, Collection Division; to the Chief, Examination Division; to the Chief, Special Procedures Staff; and, if time permits, to District Counsel prior to referral to the District Director for personal approval.

552.3 *(1-18-80)* 9781
Jeopardy Situations

(1) A jeopardy assessment is recommended when it appears that collection of tax will be endangered if regular assessment and collection procedures are followed.

(2) In determining whether a jeopardy assessment may be made at least one of the following three conditions must exist:

(a) The taxpayer is, or appears to be, designing quickly to depart from the United States or to conceal himself/herself.

(b) The taxpayer is, or appears to be, designing quickly to place property beyond the reach of the Government by removing it from the United States, concealing it, dissipating it, or transferring it to other persons.

(c) The taxpayer's financial solvency is or appears to be imperiled. However, the taxpayer should not be considered to be insolvent by virtue of the accrual of the proposed deficiencies of tax, penalty, and interest.

(3) The jeopardy assessment procedure is a drastic exception to the normally accepted method of assessment and collection of taxes and should not be used as an additional penalty or for any other improper purpose. It should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. It should be limited to amounts which reasonably can be expected to protect the Government and must be personally approved by the District Director.

(4) Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a jeopardy or termination assessment should not be made without prior notification to the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Commissioner. Examples of such cases include banks, newspapers, insurance companies, hospitals and public utility companies.

(5) Jeopardy assessment will be withheld in potential criminal tax cases to the extent necessary to avoid imperiling successful investigation or prosecution of such cases. On the other hand, when such action is warranted in those cases, it must be taken whenever it is feasible to do so. The District Director is responsible for this practice when jeopardy assessment recommendations are submitted to him/her for approval. See Policy Statement P-4-84.

552.4 *(1-18-80)* 9781
Investigation of Jeopardy Assessment Cases

(1) Upon the receipt or discovery of information indicating the presence of any one of the three jeopardy situations enumerated in 552.3:(2), the special agent should obtain all available facts and evidence which will either establish or refute the existence of a jeopardy situation. Promptness and discretion is of the essence in this type of investigation, since it could work to the serious disadvantage of the Government if the taxpayer should discover that such an investigation or inquiry is being made. Surveillance may be necessary in some cases.

(2) The special agent should make every effort to locate all assets belonging to the taxpayer and list them in the report recommending a jeopardy assessment. However, to avoid unnecessary expenses and embarrassment to the Government through levying upon property in which, although title stands in taxpayer's name, his/her actual equity has no marketable value, the special agent should endeavor to ascertain if practicable, the nature and conditions of any existent liens and encumbrances on the assets. The agent should include this information in the report, together with any other information that should be considered in determining the advisability of making a jeopardy assessment.

(3) The mere levy of a jeopardy assessment, in the absence of a showing by a defendant that the defense of the criminal case was thereby hampered, was insufficient to preclude trial of an indictment for tax evasion. [*Summers v. U.S.; O'Connor, Kenneth A. v. U.S.*] On the other hand, a motion to postpone a criminal trial until conclusion of civil proceedings in Tax Court was granted on the theory that freezing the defendant's assets might prevent the retaining of counsel and accountants to help defend a net worth tax case and thus depriving the defendant of a fair trial. [*U.S. v. Brodson*]

553 *(1-18-80)* 9781
Termination Assessments

553.1 *(1-18-80)* 9781
References

The text of the law relating to termination assessments is set forth in IRC 6851. Manual references are in IRM 9263, 9329, and 9634.3.

553.2 *(1-18-80)* 9781
Introduction

(1) Another type of immediate assessment action is the termination assessment of income tax under IRC 6851. It may be made only on income tax liabilities. It specifically applies when the taxable year of a taxpayer has not ended, or when the taxable year has ended but the due date for filing the return, or the due date as extended, has not arrived.

(2) Criminal Investigation Division responsibility for termination assessments is stated in Text 552.2. Termination assessments may be made only if at least one of the three conditions found in Text 552.3 exists.

553.3 *(1-18-80)* 9781
Requirements

(1) Termination assessments must be used sparingly and care taken to avoid excessive and unreasonable assessments. They should be limited to amounts which reasonably can be expected to equal the ultimate tax liability.

(2) The District Director or, for cases in International Operations, the Director, OIO, must approve termination and jeopardy assessments.

(3) An assessment made as a result of termination of taxable period must be based on a reasonable computation of tax liability. An assessment equal to the amount of money or other valuable property held by a person at the time of arrest is not considered a reasonable computation unless supported by other facts.

(4) The basis used in arriving at adjusted gross income in terminations of taxable periods will be stated. The computation will be determined using an acceptable legal basis such as a source and application of funds statement or a net worth computation. The following information illustrates the types of items that may have to be considered in order to arrive at an adjusted gross income computation:

(a) Cost of living expenses should include professional estimates by a narcotics agent (or other expert) as to the "Cost of Habit" for a narcotics addict.

(b) Estimates of income from the sale of narcotics should be supported, if possible, by testimony from a narcotics agent (or other expert) who may have knowledge of the subject's activities.

(c) Estimates of income from illegal gambling, including "gross take" and "payoffs" may be supported by testimony of law enforcement officers who are familiar with the gambler's operations. Efforts should be made to obtain similar testimony in cases involving other illegal activities.

(d) The taxpayer should be interviewed, if feasible, preferably before assessment is made, in order to afford him/her an opportunity to explain questioned assets, liabilities, income or expenses, filing history, etc. Such an interview may also be of value in revealing previously unknown assets, liabilities, income or expenses.

(e) Efforts should be made to locate and examine books and records, if any, of the taxpayer to the extent possible in the available time.

P-4-88 *(Approved 8-29-77)*

Jeopardy assessments to be used sparingly and assessment to be reasonable in amount

Jeopardy assessments should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. They should be limited to amounts which reasonably can be excepted to protect the Government. Each jeopardy assessment must receive the personal approval of the District Director, or the Director of International Operations.

(Policy statement P-4-84, concerning evaluation of the overall interests of enforcement of the law where both criminal and civil aspects of cases are involved, will be followed.)

Conditions under which jeopardy assessments will be made

A jeopardy assessment will be made by the Service if collection is determined to be jeopardy because at least one of the following conditions exists.

(1) The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself/herself.

(2) The taxpayer is or appears to be designing quickly to place his/her or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons.

(3) The taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment tax, penalty and interest.)

Prior National Office notification required in certain cases

Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a jeopardy assessment should not be made without prior notification of the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Commissioner.

Examples of such cases include banks, newspapers, insurance companies, hospitals, and public utility companies.

Taxpayer's request for administrative review of jeopardy assessment actions will be expedited

A taxpayer's written request for administrative review of the Director's decision that collection of the tax was in jeopardy, or that the amount of the assessment was excessive, will be considered immediately.

Administrative review provided

The Appeals Office will provide the administrative review requested by a taxpayer. If a case is unagreed, a taxpayer may request a conference with Appeals. The review will be conducted expeditiously. Action to abate all or a part of the tax or to issue a statutory notice of deficiency, if necessary, will be initiated by the office having jurisdiction over the merits of the tax liability.

Jeopardy assessments involving alcohol, tobacco and firearms taxes

Jeopardy assessments involving alcohol, tobacco and firearms taxes will be processed by service centers when requested by a regional director of the Bureau of Alcohol, Tobacco and Firearms.

P-4-89 *(Approved 8-29-77)*

Termination assessment of income tax to be used sparingly and assessment to be reasonable in amount

Termination assessment of income tax should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. Assessments should be limited to amounts reasonably determined to be the taxpayer's liability for the period in question based on information available at the time. Each termination assessment must receive the personal approval of the District Director, or the District of International Operations.

(Policy statement P-4-84, concerning evaluation of the overall interests of enforcement of the law where both criminal and civil aspects of cases are involved, will be followed.)

Conditions under which termination assessment will be made

A termination assessment will be made if collection is determined to be in jeopardy because at least one of the following conditions exists.

(1) The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself/herself.

(2) The taxpayer is or appears to be designing quickly to place his/her or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons.

(3) The taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, and penalty, if any.)

Prior National Office notification required in certain cases

Notwithstanding the existence of one or more of the above-cited conditions, in any case which might cause serious inconvenience to the general public, a termination assessment should not be made without prior notification of the appropriate Regional Commissioner. If necessary, the Regional Commissioner will notify the Deputy Commissioner.

Examples of such cases include banks, newspapers, insurance companies, hospitals, and public utility companies.

Taxpayer's request for administrative review of termination assessment actions will be expedited

A taxpayer's written request for administrative review of the Director's decision that termination assessment action was necessary because collection of the tax was in jeopardy, or that the amount of the assessment was excessive, will be considered immediately.

Administrative review provided

The Appeals Office will provide the administrative review requested by a taxpayer. The review will be conducted expeditiously. Action to abate all or a part of the tax will be initiated by the office responsible for the final determination.

Currency already laundered and placed beyond the reach of IRS is obviously not subject to seizure by our collection division. It should also be noted that jeopardy and termination assessments are subject to adjustments resulting from subsequent filing of returns, tax court litigation, et cetera. I will go into this subject further at a later point when I discuss problems associated with our narcotics tax program.

Another tool used by the Service in narcotics investigation involves our responsibilities under the Bank Secrecy Act. IRS has limited jurisdiction under the act and our activities focus on the recordkeeping and reporting requirements of secondary financial institutions and money-laundering specialists. However, our criminal investigation division, at the request of the Assistant Secretary (enforcement and operations) has conducted criminal investigations of major financial institutions for violations of the Bank Secrecy Act.

The Service has also initiated other programs to utilize reports required under the Bank Secrecy Act. For example:

In addition to our use of currency transaction reports (forms 4789) for criminal purposes, all such forms for the tax year 1979 and 1980 are being transcribed and entered into the information return selection system (IRSS) file by the IRS. This means that all 1979 and 1980 forms 4789 data contained on IRSS will be associated with related individual returns that are selected for examination.

In 1980, the currency reporting provisions were amended, form 4789 was revised, and a report perfection procedure developed and implemented by IRS at our Ogden Service Center. These were major steps forward in the refining of the information being entered into the Bank Secrecy Act data base. As Treasury makes the financial community more fully aware of the changes, the data will become even more valuable to the IRS, customs, and other law enforcement agencies.

IRS mailed a Bank Secrecy Act "Compliance Package" to all federally insured banks and savings and loan associations. This mailing furnished financial institutions with material that can be used to alert their employees to the filing requirements.

From 1974 through 1981, IRS initiated 433 criminal investigations based on currency transaction report information. Since 1977, 11 additional criminal cases have been initiated as a result of data from the forms 4790 (report of international transportation of currency or monetary instruments).

The IRS Collection Division is testing the usefulness of the currency transaction report (form 4789), report of international transportation of currency or monetary instruments (form 4790) and report of foreign bank and financial accounts (form 90–22.1) in four large districts with significant customs activity over a 6-month period.

The IRS Examination Division has developed a plan to canvass all regions and extract report data on cases under examination. The canvass will include between 3,000 and 4,000 open special enforcement program (SEP) cases (that is, narcotics traffickers, labor racketeers, organized crime subjects, et cetera). It is anticipated that the Collection Division test and the canvass will establish a basis for evaluating the usefulness of currency transaction report information in these areas.

The currency reports, generated as a result of the Bank Secrecy Act reporting requirements, are being used to help identify and convict narcotics traffickers in all parts of the country. The reports help identify bank accounts and specific transactions which are needed to complete the financial investigations. Also by identifying bank accounts, any ultimate seizures of assets can, at times, be enhanced.

The most significant single law enforcement effort developed to date from the Bank Secrecy Act reporting requirements has been "Operation Greenback." The Service, as a major contributor of resources to this effort, currently has 26 special agent criminal investigators assigned to the project and an additional 7 revenue agents are assigned to assist in grand jury investigations encompassing title 31, title 26, and related offenses. Through September 1981, the Service has initiated 78 criminal investigations in this project that involve the laundering of illegally generated profits, substantially from narcotics trafficking.

It should be noted that of the 838 narcotics program cases in inventory nationwide, 399 or 48 percent are being investigated in conjunction with Federal grand jury proceedings. Most of the 399 grand jury cases are being conducted jointly with DEA and/or customs. DEA and customs investigate narcotics aspects, IRS pursues tax violations. By combining the two areas of expertise, evidence of the source of funds can be coupled with the accumulation of assets, thus improving the chances for successful prosecution.

Multiagency financial investigative forces, similar to "Operation Greenback" in Florida and under the guidance of the U.S. attorneys' offices via grand juries have been developed to identify narcotics traffickers. These teams, which are primarily in our western region, are utilizing Bank Secrecy Act reports to a great extent. One case which benefited from this approach was the *Araujo* case in Los Angeles which involved $32 million in income from narcotics sales over a 3-year period and generated indictments of 22 members of the Araujo narcotics organization.

The profits generated by major narcotics organizations are enormous. Successfully addressing the drug trafficking problem requires more than prosecution of the leaders and others involved in generating these profits. It requires a combined multiagency effort to use the legal mechanisms available to seize currency and other assets acquired through the sale of narcotics.

Although the Service is generally in the position of being able to identify these assets, certain limitations prevent us from fully addressing this problem. There are four specific areas which inhibit our efforts.

The first area involves foreign tax haven countries which act as repositories for unreported income. In situations where the Service has a tax treaty with the particular country, we can pursue investigations, securing appropriate financial information. However, when we do not have such treaties, we often run into a blank wall; the bank secrecy laws of the haven country preclude us from pursuing the international aspects of the case.

The second area concerns rule 6(e) of the Federal Rules of Criminal Procedure. Rule 6(e) imposes a secrecy requirement on information gathered during the course of a grand jury investigation. Before any information covered by rule 6(e) may be disclosed and used for civil tax purposes such as jeopardy and termination assessments, a court order must be obtained from the district court supervising the grand jury.

One requirement for obtaining such an order is that the information to be obtained must be requested preliminary to or in connection with a judicial proceeding. Recent court decisions have held that a civil tax examination is not preliminary to a judicial proceeding and, accordingly, have not permitted the Service to use the information developed by our own agents. This trend has been particularly evident in the fifth circuit. Fifth circuit case law will be controlling precedent in the new 11th circuit, which encompasses the State of Florida and where much of the narcotics activity is located. Unless the Supreme Court or the Congress resolves the problem associated with rule 6(e), the Service may not be able to obtain grand jury information in order to determine and collect the civil tax liability of an alleged drug trafficker.

Senator **Chiles**. Have you made that recommendation? Is that part of any of the package of bills now that the Attorney General has recommended, 6(e) change?

Commissioner **Egger**. The administration's bill seeks to alleviate this difficulty with rule 6(e) by amending the Internal Revenue Code to state that civil tax examinations are preliminary to a judicial proceeding. No amendments to the actual rule have been proposed by the administration at this time.

Senator **Chiles**. I know that we had it in the mob violence bill, some provisions on a change of 6(e) in regard to information made available to the State and local things, but I didn't know if we specifically hit on this tax thing. We do have that in there?

Commissioner **Egger**. Yes. As I just noted, although no specific amendment to rule 6(e) has been proposed, the administration's bill does deal with this problem.

The third area where our efforts are constrained involves difficulties the Service faces in trying to seize the enormous amounts of currency being laundered. Our Criminal Investigation Division has found that in the "Operation Greenback" investigations alone, hundreds of millions of dollars have been laundered through banks in the Miami and Tampa areas.

As I have noted, many of our efforts in seizing such funds have been stymied. One difficulty is the short length of time that funds remain in a bank. Once funds are deposited, they are frequently wired to secret foreign bank accounts in tax-haven countries, often within a few hours. Not only are the funds safe from seizure attempts in these accounts, as I have already noted, we are also unable to even identify the owner of the funds because of bank secrecy laws in the tax-haven countries.

Also, the funds may be transferred into domestic investments through layers of fictitious entities, or simply converted into less suspicious forms, such as cashier's checks or certificates of deposit.

Reports of the currency deposits are not required to be filed until 15 days after the transaction. As outlined above, the initial stages of the laundering process are ordinarily completed within a few days.

By the time the currency reports are filed and the Service becomes aware of the deposits, the funds have been put beyond our reach.

Another difficulty can arise even when we are aware of a large deposit in an account. Frequently only a small percentage of those funds actually belong to the money launderers conducting the currency transaction. The IRS lacks the authority to seize the remaining funds because it does not know the true owner or whether that person has a tax liability. In such a situation, even where the funds are apparently derived from an illegal business activity, we cannot make an assumption as to the ownership of the funds or whether the funds represent gross income, that is, we are not allowed to make "John Doe" assessments.

The fourth area which has been inhibiting to our narcotics enforcement efforts concerns the summons provisions of Internal Revenue Code section 7609. This section has resulted often in a great delay in our obtaining access to records essential to an investigation when they are in the possession of a third-party recordkeeper. When a summons is issued, the bank or other third-party recordkeeper is required to notify the person whose records are requested of our summons. If that person, for any reason, notifies the bank—et cetera—not to comply, we must go into court to enforce the summons.

Since by definition the term "third-party recordkeeper" includes banks, savings and loan institutions, consumer reporting agencies, extenders of credit through the use of credit cards, stockbrokers, and attorneys or accountants, a narcotics trafficker may seriously hamper an investigation through delaying tactics.

Mr. Chairman, this concludes my testimony. I would now be pleased to respond to any questions the subcommittee may have.

Chairman ROTH. Thank you. We will continue with the testimony of other members of the panel.

I am going to ask if you gentlemen would summarize your statements because of the passage of time. I want to have as much time available as possible for the question and answer period. Your statements will of course be included in the record in their entirety.

Mr. Powis?

Mr. POWIS. Mr. Chairman, members of the subcommittee, I am here today on behalf of Assistant Secretary John Walker who unfortunately became ill and who was hospitalized. I will attempt to summarize my statement.

I welcome the opportunity to appear before this subcommittee today to discuss the strategy and activities of the Treasury Department on international narcotics trafficking issues. The devastating and debilitating effects of drug trafficking and drug abuse on our society needs no further elaboration here. President Reagan, in his address on crime to the International Association of Chiefs of Police on September 28, 1981, stated that "The incredible impact of drug addiction on the crime rate continues. Studies of prison inmates have found that at least half admitted to using drugs in the month prior to their arrest, and it is still estimated that 50 to 60 percent of property crimes are drug related." Other witnesses before this subcommittee have or will provide you with additional statistics and further details to reinforce the President's assessment of this country's deplorable drug abuse situation.

The Office of Enforcement and Operations at the Treasury Department is responsible for administering the Customs Service, the Secret Service, the Bureau of Alcohol, Tobacco, and Firearms, the Federal Law Enforcement Training Center, and the Office of Foreign Assets Control. While our office has no administrative authority over the Internal Revenue Service, we have a responsibility for coordinating Treasury Department law enforcement policy with IRS which, of course, includes the investigations of the illicit financial assets of drug traffickers. Let me say at this point that the IRS is a valuable and indispensable resource in our financial investigations program which I will discuss later.

[At this point, Senators Roth and Rudman withdrew from the hearing room.]

Mr. POWIS. Together with the Justice Department, this office is responsible for helping to develop national law enforcement policies and priorities. From my perspective, nowhere is this role more important and active than in the area of law enforcement against major drug traffickers and drug trafficking syndicates. The Treasury Department's contribution to the overall Federal drug law enforcement effort is primarily in (1) interdiction of contraband drugs smuggled into the United States through our borders and ports of entry; and (2) financial investigations—such as Operation Greenback in south Florida—of major drug traffickers and their syndicates so as to attack their financial base where they are most vulnerable.

These two high priority programs absorb a substantial portion of the time and attention of myself and members of our staff. The Customs Service alone dedicates $182 million or approximately 36 percent of its fiscal year 1982 budget to antidrug operations. While only a small percentage of the total IRS budget is devoted to antidrug activities it must be noted that the IRS is heavily involved in title 31, Bank Secrecy Act, financial investigations in a number of areas in the country. In the south Florida Operation Greenback, IRS has allocated 26 special agents and 7 revenue agents to the project. This exceeds the personnel commitment of any other participating Federal investigative bureau.

The IRS also concentrates on narcotics traffickers in connection with its own internal tax evasion investigations.

With regard to the status of our land, sea, and air interdiction program, while interdiction seizures of illicit drugs, especially marihuana seizures, has improved somewhat in the past year, we are in fact seizing only a small percentage of heroin and cocaine smuggled into the United States and most of these seizures result from cold hits rather than from any prior intelligence.

Commissioner Corcoran will expound on this area further.

Operation Greenback, developed early in 1980 by the Treasury Department in cooperation with the Justice Department from currency transaction reports filed by banks in Florida, is one of our most successful Federal drug-related financial initiatives to date. The task force is made up of special agents from the Customs Service, Internal Revenue Service, and the Drug Enforcement Administration under the umbrella of the U.S. Attorney's office, and the Department of Justice.

It has succeeded in uncovering and seizing multimillion dollar illicit cash flows associated with major drug traffickers and their syndicates.

Since its inception, Operation Greenback has been responsible for 68 indictments, the seizure of more than $20 million in monetary instruments, jeopardy tax assessments in the amounts of $25 million, the seizure of property valued at $3,905,000 and civil penalties in the amount of $10 million.

Recently, Greenback has expanded to other areas of Florida including Tampa and Jacksonville. There are currently 45 cases awaiting indictment.

Operation Greenback is based on two enforcement concepts. First, the attack on drug trafficking and other illegal activity should be made through the vulnerability of the financial operations of the violators—not only the income tax laws but the Bank Secrecy Act, which requires the reporting of large currency transactions or the international movement of large amounts of currency. Both laws are within Treasury's investigative jurisdiction.

Second, the integration of the criminal investigations should be achieved through the grand jury process with special prosecutors coordinating all of the related criminal investigations including those involving Customs, IRS, DEA BATF, FBI, or Secret Service.

The use of a grand jury permits all of the Federal agents participating in the investigation to pool information, including tax or other financial information.

This type of sharing is not permitted under the procedures governing administrative investigations.

In addition to the criminal investigations that have been publicized, Greenback included intensive investigative activity by Federal bank supervisory agencies. Several bank examinations disclosed questionable activities that were referred for criminal investigation. The IRS was also encouraged to undertake civil tax examinations of those persons involved in the large currency transactions.

While we recognize that the situation in Florida is unique because it is the favorite meeting place for the "Colombian Connection." Customs, IRS, DEA, and various local U.S. attorneys have established financial task forces in other regions of the country to identify drug violators or to prosecute suspected drug violators for related illegal financial activities. These groups are active, for example, in California, Texas, and Illinois.

As an active participant in Operation Greenback, the IRS conducts drug-related criminal cash flow investigations. As of September 30, 1981, the IRS has completed 49 of 78 active investigations. Of the 49 completed, 25 have been indicted.

While Operation Greenback has grown in size and complexity as I have indicated earlier, other similar financial investigative task forces have been established in other areas of the country. There are presently 10 such task forces and there is a need for additional task forces in other areas.

We are now in the process of establishing a Financial Investigative Center in the Office of Enforcement and Operations. This special unit will monitor, coordinate, and provide investigative, technical, and legal support and guidance to the various task forces working on title 31 cases. It will coordinate the Treasury Department's attack on the financial assets of narcotics traffickers through the aggressive application of the Bank Secrecy Act and all other criminal and civil forfeiture statutes.

With regard to pending legislation on the Bank Secrecy Act first, the Treasury Department is reviewing changes to the Bank Secrecy Act such as those in S. 2236 to improve Customs' effectiveness in combating the unreported, international transportation of currency by drug traffickers and other criminals.

With specific reference to the search provision contained in S. 2236, questions arose in both Houses concerning the constitutional propriety of Customs' officers conducting warrantless exit searches of travelers based merely upon a reasonable cause to suspect a violation. However, it was the Treasury Department's position, then supported by the Justice Department as it is now, that the well-established and well-recognized Customs border search authority extends equally to existing as well as incoming travelers. There is ample authority for our position and there are cases cited in my formal statement.

Despite favorable case law supporting broad application of the Customs' border search authority to exiting travelers, agents and inspectors are reluctant to use it in unreported currency cases due to the express probable cause—warrant requirements of section 235 of the act, and the underlying legislative history of that section.

This reluctance is based upon an agent-inspector fear of incurring personal liability if they follow case law and not the statute.

There is an illustration of a case that points up this problem in my formal statement.

With regard to S. 732, Senator Nunn's bill to amend the Tax Reform Act of 1978, recently Assistant Secretary John Walker had the opportunity to testify along with Commissioner Egger of IRS and Deputy Attorney General Schmultz of the Justice Department in support of early passage of the administration's proposed tax disclosure amendments to section 6103 of the Tax Reform Act of 1976. These amendments, to the Internal Revenue Code, as you know, track closely the provisions of S. 732 introduced earlier this session.

The administration's position is that early passage of these modest changes will permit Federal and State law enforcement more timely access to needed tax information for non-tax-related crimes, while still providing substantial safeguards or individual taxpayers.

Treasury also fully supports the conference compromise bill found in chapter 18 of the Defense Appropriations Act on posse comitatus.

In conclusion, the Treasury Department's antidrug strategy consists of two main thrusts—interdiction and financial investigations of major drug traffickers and their syndicates. Interdiction operations, while somewhat improved, will continue to be limited by lack of prior intelligence on drug smuggling into the United States, especially of heroin and cocaine. This subject is still under discussion with the Justice Department.

With regard to financial investigations, I believe the Treasury Department strategy is sound and is working well.

I thank you for the opportunity to appear before this subcommittee and I welcome any questions you may have.

Chairman ROTH. Mr. Corcoran.

Mr. CORCORAN. Thank you, Mr. Chairman, members of the subcommittee. I appreciate this opportunity to appear before the Permanent

Subcommittee on Investigations regarding the role of the U.S. Customs Service in interdicting and investigating drug smuggling.

As you know, this administration is very concerned with the rising incidence of violent crime in this country. Drug abuse is directly related to this phenomena. In the recently published National Indicators System report, "Violent crime in the United States," it was determined that over 50 percent of all jail and prison inmates in this country regularly used drugs prior to their incarceration.

The havoc raised by this drug menace to our society, to our economy, and most importantly, to our youth is well documented. In this context, the subcommittee's investigation of this matter is not only timely, but necessary.

We know that the traditional response of massively increased law enforcement resources will not, by itself, reverse this trend. During the period 1971 through 1979 Federal, State, and local law enforcement expenditures increased by 147 percent. At the same time, all violent crime rose over 45 percent. Moreover, increasing Federal criminal justice resources may not have the desired effect since they only represent 13 percent of total criminal justice expenditures in this country.

[At this point Senator Rudman withdrew from the hearing room.]

Mr. Corcoran. Given this background, how can the Federal law enforcement effort address the immediate issue of drug smuggling/trafficking and resulting violent crime? It is my belief, which I am sure is shared by many of the subcommittee members, that the Federal Government is in a strategic position to break the link between drug abuse and violent crime since the bulk of the drugs used in this country are imported across our borders.

The large-scale disruption of the smuggling network which supplies the drugs can have a significant impact on drug abuse and the violent crime it fathers.

It is here where the traditional enforcement mission of the Customs Service and its expertise in intercepting the introduction of contraband across our borders define the customs role in a Federal law enforcement crackdown on the drug smugglers. This customs role will be characterized this year by a concerted effort to put the drug smugglers on the defensive. In fiscal year 1982, customs will devote 36 percent of its total budget to counter the drug-smuggling threat. Supporting this enforcement effort are: 4.400 inspectors; 1,300 patrol officers; 100 drug detector dog teams; 25 special enforcement teams; and the currency task forces which I will talk about later.

Using a variety of tactics and sophisticated technology, including tracker and chase aircraft on vessels, these customs professionals will seize the contraband and its conveyance and arrest the smugglers at the border.

A recent example of our success occurred on November 9. 1981, when 369 pounds of cocaine was seized aboard a private aircraft near DeFuniak Springs, Fla. The smuggler had been picked up in customs radar, identified and tracked, and seized by customs aircraft.

At the same time, customs will continue to use another enforcement tool at its disposal to disrupt and seize the financial base of the smugglers which supports their smuggling operations.

Utilizing provisions of the Bank Secrecy Act, customs' special agents will conduct financial investigations of major narcotics trafficking and organized crime organizations. This approach, pioneered in the Joint Customs/Internal Revenue Service/Drug Enforcement Administration operation Greenback, has the potential to deal a crippling blow to narcotics smugglers.

Greenback, alone, has accounted for 57 arrests, the seizure of over $20 million in monetary instruments, jeopardy tax assessments of $25 million, and the issuance of $10 million in civil penalties.

All of this is the result of one operation over a 21-month period. There are still 45 targets awaiting indictment.

This dual strategy, not only to meet the smugglers on the beach but also to hit them in their pocketbooks, is consistent with customs' traditional enforcement mission and represents the role I feel the Customs Service should and can play in meeting the drug threat.

I should like to bring to the subcommittee's attention some of customs' current drug interdiction activities which build on this definition of customs' role: Redevelopment of air/land/marine patrol resources intensified in the gulf and southeastern United States to meet high drug smuggling threats; launching of special narcotics interdiction operations directed principally against heroin smuggling, code named Operation Horse; the expansion of the special enforcement team concept which in the first 6 months of fiscal year 1981 accounted for 90 percent of the hashish and 50 percent of the heroin seized by all of customs; the replication of the highly successful air module concept throughout customs' air patrol interdiction program; and the extension of Greenback-type financial investigative techniques throughout the service, code named Operation El Dorado.

It is my belief that these and other initiatives will enable customs to improve on its record of drug interdiction in fiscal year 1981.

I would like to submit the statistics on our seizures for the record as follows: Almost 24,000 arrests and over 22,000 narcotics seizures made by customs officers; the seizure of 233 pounds of heroin, $142.8 million, domestic value; 3,725 pounds of cocaine, $1.1 billion; 18,283 pounds of hashish, $29.3 million; over 5 million pounds of marihuana, $3.7 billion, in cooperation with the U.S. Coast Guard; almost 39 million tablets of other narcotics and dangerous drugs, $131.6 million; total customs narcotics seizures are approximately $5.2 billion; and over 4,200 vehicles, 270 aircraft, and 565 vessels in smuggling-related incidents, $63.3 million.

We think these figures are impressive, but we believe customs can and must do much better. Central to this improvement effort is an area where the Commissioner feels he can personally be of assistance. It is his impression that the substantial and valuable law enforcement role played by customs, by and large, has been overlooked, diminishing its deterrence value.

In any law enforcement operation, there exists a certain deterrence factor. This deterrence capability is a function of the effectiveness of the law enforcement operations and the knowledge of that effectiveness by potential smugglers.

[At this point, Senator Rudman entered the hearing room.]

Mr. Corcoran. He feels the Customs Service has a fine record in the interdiction of drug smuggling and intends to make it well known that not only are we going to continue that tradition, but also give it the high priority that it demands.

In addition, if the Commissioner feels a current customs enforcement initiative can be enhanced by the dedication of additional nonenforcement customs' resources, those resources will be so channeled. To do less in these perilous times would not represent responsible and responsive law enforcement.

Although customs has made and continues to make progress in the fight against drug smuggling, there are areas that are impediments to our effort. In a case involving a joint DEA/customs investigation of members of a hashish and currency smuggling organization, a judge held that Reorganization Plan No. 2 of 1973, which created the Drug Enforcement Administration transferred intelligence, investigative, and law enforcement functions, "which relate to the suppression of illicit narcotics" to DEA, thereby removing customs' authority to obtain search warrants involving domestic narcotics enforcement efforts. The judge held that evidence of a major drug conspiracy must be suppressed because the Federal law enforcement officer who obtained the warrant, which the judge held was solely a narcotics warrant, was a customs agent rather than a DEA agent. The judge found that the search warrant was based on probable cause and undoubtedly would have upheld its issuance had the affidavit been signed by a DEA agent.

The entire investigation was based on a joint DEA/customs effort under the direction of the U.S. attorney's office.

Additional impediments to customs ability to meet the drug smuggling threat successfully include:

Ability to rapidly realine custom patrol resources to meet the evershifting drug smuggling threats;

Obstacles in the seizure and forfeiture process available to customs to upgrade and replace its aircraft, vessels, and vehicles;

Sometimes ineffective criminal and civil penalties for drug smuggling which offer little or no deterrent value in the face of the enormous profits possible from international narcotics trafficking;

The sheer volume of passengers and cargo crossing our borders and requiring customs review—in fiscal year 1981, more than 300 million passengers and about $200 billion worth of cargo crossed our borders; and

Surveillance of the Nation's perimeters because of their vastness.

Customs is pursuing the following actions:

We are reviewing our allocation of drug interdiction resources in relation to the distribution of the smuggling threat nationally. We are continuing to provide the results of our studies to Members of Congress.

Customs is finalizing details to utilize the exchange/sale provisions in Federal procurement regulations whereby seized and forfeited equipment, not necessarily suitable for customs needs, may be exchanged for the required equipment. We are optimistic that this will go a long way toward resolving our problems with our vessel fleet. However, use of these provisions to acquire aircraft requires a case-by-case waiver of General Services Administration regulations.

The facilitation of passengers and cargo crossing our borders requires customs to utilize the principal of selectivity in its enforcement operations. This means concentrating on high-risk passengers and cargoes at high-risk locations. With respect to air passengers, customs is developing uniform air passenger inspection standards. From these efforts, we will be providing recommendations on customs inspection mode to the Congress.

Surveillance of this Nation's vast borders can be significantly enhanced through assistance from the military. To this end, customs supports certain proposed legislative changes permitting limited Department of Defense support and assistance to civilian law enforcement.

We do wish to point out that the Defense Department in the past has provided us with significant assistance in such areas as training, loan of equipment, and use of their facilities.

In conclusion, I would like to state that the Customs Service fully recognizes its responsibilities in the drug war. We feel that cooperation among all levels of law enforcement has improved over the years, and will continue to improve.

We believe you will see a much more aggressive customs enforcement program under our new Commissioner. His commitment to an emphasis on customs enforcement program is already improving our operations.

Thank you again for this opportunity and I will be happy to respond to any questions, Mr. Chairman.

Chairman Roth. Thank you.

I would like to go back to a statement made by you, Mr. Powis, where you were saying that "we are in fact seizing only a small percentage of heroin and cocaine smuggled into the United States and most of these seizures resulted from cold hits rather than from any prior intelligence." What is wrong with our intelligence? Why aren't we better able to anticipate where it is coming in so we are more effective?

Mr. Powis. Senator Roth, I think we need better intelligence on smuggling operations, per se. We do get some intelligence, but I think we need better intelligence on the types of operations that are going on, the types of carriers and means that are being used and the individuals who are involved.

Chairman Roth. Who has primary responsibility for intelligence? How is that accomplished within the Federal Government?

Mr. Powis. The intelligence responsibility rests with the Drug Enforcement Administration.

Chairman Roth. With whom?

Mr. Powis. With the Drug Enforcement Administration.

Chairman Roth. I would like to go back to a question I raised earlier. To go to the customs, I think you mentioned you have 4,400 inspectors at the port of entry, 1,300 patrol officers in land and sea and air on narcotics. Is it really practical to restrain illegal entry of drugs into this country? Would that require a vast increase in personnel and mean that every individual that entered the country would have to be pretty carefully inspected, his luggage inspected?

[At this point Senator Chiles withdrew from the hearing room.]

Mr. Corcoran. We do not think so, Mr. Chairman.

I think after at least my career, 24 years in law enforcement, we find increasing numbers is not the answer. I think it is a question of tactics; it is a question of deploying to meet the threat.

Right now, as you know, the Southeast is the area where we are getting the greatest threat, particularly in cocaine and marihuana.

We are trying to adjust to that.

We are trying to redeploy within our own Service. We are also a fairly large organization where we have a lot of nonenforcement people that we can, we feel—and our present Commissioner is in the process of reprograming, redeploying those people. It is a matter of tactics.

Chairman ROTH. Let me ask, we just had testimony that our intelligence is not that adequate.

[At this point Senator Chiles entered the hearing room.]

Chairman ROTH. How are we able to deploy what personnel we have effectively if we do not have any advance knowledge as to where the material is being brought in?

Mr. CORCORAN. We are responding to our seizures, our current seizures. The volume of 5 million pounds of marihuana, obviously, in places like Los Angeles, which used to see 80 percent of the marihuana, we have a larger commitment of patrol.

It makes commonsense to redeploy the patrol from the Los Angeles area to the Florida area. This would help tactical operations more so than the addition of people. Where we look, what mode, what pattern, what routes are the smugglers using has to be identified. This is what Mr. Powis addressed.

Chairman ROTH. Could you tell me what percentage of your planes, boats, and vehicles were seized and forfeited?

Mr. CORCORAN. I don't have that figure, but we can get it for the record.

Chairman ROTH. I would appreciate it if you would submit that for the record.

[The information to be furnished follows:]

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON

NOV 25 1981

REFER TO
MAN-6-13-B:PA:N WAW

PERM. SUBCOMMITTEE
RECEIVED
DEC 1 1981
ON INVESTIGATIONS

The Honorable
William V. Roth, Jr., Chairman
Permanent Subcommittee on
  Investigations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you again for the opportunity to share with the Subcommittee the views of the U.S. Customs Service on the role of Federal law enforcement in interdicting and investigating drug smugglers. As you requested, the following information is submitted for the record in response to your inquiry as to what percentage of Customs aircraft, vessels, and vehicles have been acquired through forfeiture as of November 20, 1981:

Item	Total Number in Inventory	Number Acquired through forfeiture	Percent by Forfeiture
Aircraft	63	25	40%
Vessels	93	59	63%
Vehicles 1/	2,400	310	13%

1/ Includes all Customs-owned land motorized vehicles (snowmobiles, jeeps, motorcycles, and sedans), as well as those vehicles awaiting disposition through auction.

If you require additional information on this subject, please do not hesitate to contact me.

Sincerely,

George C. Corcoran, Jr.
Assistant Commissioner
Office of Border Operations

Chairman ROTH. What kind of assistance does customs now receive from the Department of Defense for narcotics interdiction?

Mr. CORCORAN. We currently have 12 aircraft on loan. They provide facilities for us. They give some of our aircraft and maintenance people training. They also provide some of the expertise and also parts on some occasions; we receive quite extensive support by the Department of Defense.

Chairman ROTH. Have you ever had a program, for example, that utilized AWAC aircraft for drug interdiction efforts?

Mr. CORCORAN. Yes. We used the AWAC's until they had other commitments by Defense in the Southwest border area. It was a very effective weapon for detecting and tracking the initial intrusion of the aircraft.

Chairman ROTH. Is that program still in effect?

Mr. CORCORAN. No, it is not right now.

Chairman ROTH. Do you know why it isn't?

Mr. CORCORAN. I believe it is because of Defense's utilization of AWAC's in other areas of defense. We only received that assistance when the military wasn't using it for other purposes. Right now they are using it in other areas.

Mr. POWIS. We should mention we do have an ongoing operation. I think it would be counterproductive to discuss it here, but we could discuss it in executive session with you, involving military.

Chairman ROTH. Very good.

What does customs do with evidence of domestic violations it uncovers during its interdiction work?

Mr. CORCORAN. We provide that information to the Drug Enforcement Administration.

Chairman ROTH. Is the Treasury considering the question of getting back into investigation of drug trafficking?

Mr. POWIS. Senator, this is an issue which is being discussed within the Administration. We have had ongoing discussions with the Justice Department in this area for some period of time, and that is our recommendation.

Chairman ROTH. When do you think a decision will be made on that?

Mr. POWIS. We are hopeful that one will be made in the near future. I cannot say exactly when that will be, but we are hopeful that a decision will be made soon.

Chairman ROTH. Are there any restrictions against Customs' using an informant who has been involved in violations in the past?

Mr. CORCORAN. In narcotics, yes. We can use the informants for interdiction purposes, but we would be required to advise DEA and follow their direction on strategy of investigation or any followup.

Chairman ROTH. Is that steadily forthcoming, that permission or support?

Mr. CORCORAN. They would literally run the case and direct the case, and we would assist them as needed, but they would direct any investigative followup activity. That is their role.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. Thank you very much, Mr. Chairman.

I believe we are going to have a vote in just a very few minutes, so I will try to shorten my questioning here. I want to ask Commissioner Egger just a few questions. We have had a number of witnesses at this hearing, this series of hearings, and other hearings which gave us the strong indication that all is not well in terms of cooperation between IRS and other law enforcement agencies, not necessarily because of any intention but in many cases because of regulations, because of laws the Congress has passed, and so forth. The Privacy Act is one in particular that we have been talking about.

[At this point Senator Roth withdrew from the hearing room.]

Senator **Rudman**. Let me just give you a flavor of the kind of thing they have been talking about.

I would like to hear your response as to what you are doing because although many of the things in your statement certainly should be done, and I applaud you for doing them, there are some other things that are out there, if you will, in the trenches, where U.S. attorneys are prosecuting.

Let me just see if I can cover a few of those from yesterday's transcript.

Our witness yesterday was an assistant U.S. attorney from Texas. His name was Ethington. He has been in this business for a long time, prosecuting all kinds of cases, both DEA cases and IRS cases. Let me just give you some of his testimony to get a flavor of what he said.

He said, in response to a question from Senator Nunn:

> I also handle tax cases brought by the Department of Treasury, but I have never in the time I have been a prosecutor handled a tax case and a narcotics case together, except for the *Harold Oldham* case for the reason that a narcotics case happens very quickly. A tax case takes several years, maybe three before indictments are brought.

Senator Nunn asked him:

> What you are saying is, if there was some team-up at the top of these narcotics-tax cases, that had a working relationship with Treasury and Justice and you could maybe prosecute both cases at the same time and get the plea bargain, have the people meet jointly, then you could probably expedite the judicial process, save the government a lot of money and develop further information and possibly civil fines.

Let me go on to a few other parts of his testimony.

Mr. Ethington said, "Yes, exactly. That would be great."

Let me go on to a few other parts of his testimony.

On page 37 of yesterday's transcript, Senator Nunn asked the question, "Could you tell us why the IRS agents were not able to have information flow from them back to DEA? Why is it a one-way street? Is it the law or is it regulations?"

Mr. Ethington said, "It is both, the disclosure restrictions they have and their own interpretations of the disclosure restrictions."

Then on page 38, Senator Chiles asked the question, "But you say they had information as this case was going along from their own sources"—meaning the IRS—"from their own tax audit information," and Mr. Ethington replied:

> The only reason this case was successful, the only reason it probably, according to IRS, not in my opinion, but their opinion, the only reason it will be the only case of its type, that it will be successful is because the agents had an excellent cooperative attitude. I won't say there was some on-the-spot interpretation of regulations that might have been characterized as rule-bending, nothing improper, just the IRS agent was a little less cautious than probably what his supervisor would have liked him to be and we were successful because of that. This is a very interesting prosecution.

[At this point Senator Chiles withdrew from the hearing room.]

[The letter of authority follows:]

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on International Narcotics Trafficking on Tuesday, November 10; Thursday, November 12; Friday, November 13; Tuesday, November 17; and Wednesday, November 18, 1981.

WILLIAM V. ROTH, Jr.,
Chairman.

SAM NUNN,
Ranking Minority Member.

Senator **RUDMAN**. Finally, there is a page here that I think is very interesting, page 42. Let me just summarize it for you. What they essentially told us was, when they had discussions between the U.S. attorney, the DEA, and the IRS, there were occasions when the IRS agent would not speak freely in front of the DEA agent. They would have to leave the room.

It became almost absurd.

You know what these problems are, Mr. Commissioner, because you are very familiar with them. You know of the efforts here to confront them in the Congress.

What are you doing about this problem, which we have heard over and over again?

Mr. **EGGER**. Well, to begin with, some of the allegations that I understand—I was traveling until 1 a.m. this morning so I really didn't have a chance to review that testimony, but as I understand it, some of the allegations that he made gave every indication of uncooperation. I just don't believe that is true. First of all, if he had those kinds of problems, it would have been great if he had come and discussed it with us. But second, we have had, I have had, since I came into office, letter after letter from U.S. attorneys praising our agents for the fine work they have done, saying they couldn't possibly have brought the case off without their help, giving us every indication of a high degree, high spirit of cooperation in most of the U.S. attorneys offices.

I believe we have, as I said in my testimony here, made a genuine effort to try to decentralize, to speed up the flow of information that we can legally and properly give. It is true that because of the 1976 act, there are severe restrictions on the kind of information and the individuals to whom that information can be disclosed. We have had lawsuits brought against our people for making inadvertent statements which constituted disclosure, and so on. So we respect that law and we are certainly going to follow it, not necessarily with a fetish, but we are not about to violae it as a matter of policy.

So, No. 1, I believe that our record of cooperation with the Department of Justice and the U.S. attorney's offices is a lot better than that testimony, as I understand it, would indicate. Second, it is true that there probably are some things that need to be changed about section 6103. I have testified in favor of the kind of legislation recommended by Senator Nunn, as well as the administration's proposed legislation and still support it. I would like to see it passed, would like to find ways to streamline. A lot of this is the levels of review that some of this information has to go to.

Mr. Clancy here is very familiar with the case you refer to and I would like him to comment on it because I suggest it was not successful solely because somebody bent the rules. I sort of doubt that.

Senator **Rudman**. Before we hear from him, let just tell you—because you were not here and you have had some reports from people from your office that were—that I did not find Mr. Ethington a witness who was in any way accusing the Internal Revenue Service of anything in the way of negligence or lack of cooperation. That was not the sense of his testimony.

Mr. **Egger**. Yes.

Senator **Rudman**. I don't believe that was his testimony. I believe a fair reading of the transcript would dictate otherwise.

I think what he was saying was that the agents were competent, they were dedicated, and they wanted to cooperate, but they were very cautious and in his view overly cautious essentially because of the way their supervisors interpreted the regulations and the laws which you refer to.

I can tell you, Mr. Commissioner, from my own personal experience as the attorney general of the State of New Hampshire, about finding Internal Revenue Service agents that in my view went way beyond what the law required in failing to share information with State law enforcement agencies because of a fear that if they violated a regulation that was rather broadly drawn, they would jeopardize their positions. That is understandable. I guess what I am asking you is this: Do you intend, taking the law as it is—as obviously only the Congress can change it—to take a long, hard look at the practice of the supervisors in the field within the ambit of these particular rules, regulations, and statutes, and try to at least encourage them to take what latitude you think they legally can? That is my point, and I think it is Mr. Ethington's point.

Mr. **Egger**. I have no problem with that, Senator Rudman. In fact, we had many, many discussions about that. Mr. Clancy, as I said, knows full well it is a matter of policy, at least during my administration of the Internal Revenue Service, we want to make every effort to cooperate with all of the enforcement agencies, including the Drug Enforcement Administration and the Justice Department in general. It certainly is our intention to use every possible legal means to see to it that these enforcement individuals and particularly the U.S. attorneys have as much information as we can properly give to them.

Senator **Rudman**. Well, that is encouraging. I hope you will do that. As a matter of fact, I think as far as the American people are concerned, in regard to complaining about Government, they would feel the IRS and your agents are very efficient, generally speaking.

I am going to have a short recess here until our chairman can return. I believe I better get over to the floor and vote. We have one vote that counts for nine votes on some treaties.

I don't want to miss that. We will stand in a short recess.

[Brief recess.]

[Senator present at time of recess: Senator Rudman.]

[Member present after the taking of recess: Senator Roth.]

Chairman **Roth**. The subcommittee will reconvene.

I apologize to you, gentlemen, but, unfortunately, we had votes on the floor, one of which counted nine, so it was rather important everybody be there.

I would like to ask you, Mr. Corcoran, do you really believe that interdiction is a question of tactics and not greater numbers?

[At this point, Senator Chiles entered the hearing room.]

Chairman **Roth**. For example, how can you interdict along coastlines such as Maine or Oregon where I understand you only have a handful of officers?

Mr. **Corcoran**. I think that goes right to my point, Mr. Chairman. I think without information and tactical operations to be in the right place at the right time most often, we cannot be effective, we cannot cover all our borders. We have to have the information to be in the right place. We have to have the intelligence to be there. We couldn't possibly try to cover every mile of our borders with just manpower alone.

Chairman **Roth**. Senator Chiles is now here.

Senator **Chiles**. Thank you, Mr. Chairman.

I was interested, Mr. Commissioner, in the amount of resources that the Internal Revenue Service is now applying and trying to compare that back to 1973–74, before there was the cutback.

At that time, I think you had about 900 and something man-hours that were being applied?

Mr. **Egger**. I assume, Senator Chiles, you are talking about the resources committed to the narcotics program.

Senator **Chiles**. That is right.

Mr. **Egger**. I have the numbers for the last 3 fiscal years, 1978, 1980, and 1981. In those years, 1979, in total we had average positions around 324 at the cost of about $9½ million. By fiscal year 1980, that number went up to 448 average positions at a cost of $14½ million, and in fiscal year 1981 it is up to 924 average positions.

Now that breaks down this way: The bulk of it is in tax fraud investigation, with 251 average positions in 1979, jumping all the way to 820 positions in fiscal year 1981.

I do not have the figures as far back as 1974, but I will be happy to supply them for the record.

[At this point, Senator Rudman entered the hearing room.]

Senator **Chiles**. I think what I was looking at was the criminal investigation division.

Mr. **Egger**. I have just given you the numbers that would apply to criminal investigation. These others are to examination, collection, and legal services, and so on.

Senator **Chiles**. The testimony that we had at an earlier hearing was that we had about 927 staff years, total staff years in 1974, and that had been reduced, but now you are saying you are up to that level again.

Mr. **Egger**. Let me do this, Senator Chiles.

I don't want to compare apples and oranges here and staff years is a different number than average positions.

The figures I have with me today are expressed in terms of average positions, and so I would prefer to submit them for the record and we will take it all the way back to 1974 and bring it up to date.

[The information follows:]

STAFF YEARS COMMITTED TO THE NARCOTICS PROGRAM, FISCAL YEARS 1974–81[1]

	1974	1975	1976	1977	1978	1979	1980	1981
Tax fraud	544	327	219	163	227	251	358	820
Examination	369	269	93	69	65	65	76	89
Legal services			8	8	6	3	9	10
Appeals					4	3	3	2
Collection	26	5	24	24	3	2	2	3
Total	939	601	344	264	305	324	448	924

[1] Staffing figures include direct investigative, examination, and collection time, etc., expended (special agent, revenue agent, revenue officer, etc.) and related support time.

Senator Chiles. All right, sir. We heard testimony during our hearings that the Department of Justice policy which refuses to delegate authority in tax cases to the field prosecutor has hampered and inhibited effective prosecution of tax cases.

Have you found this to be true in seeking the prosecution of criminal tax cases?

Mr. Egger. The matter that you are speaking of was the direct referral, I believe, to the U.S. attorneys from our district counsel and regional counsel. And at one time prior to the latter part of 1980, we were able, in particularly single issue cases, to make a direct referral to the U.S. attorney so as to speed up considerably the prosecution process.

The Assistant Attorney General of the tax division issued a directive in the latter part of 1980 to stop that on the basis, I believe, that in one case some place it proved to be a problem.

We are currently discussing with the newly nominated Assistant Attorney General the possible reinstatement of that procedure.

Senator Chiles. That is what I wanted to ask you.

Would you recommend to the Justice Department that they delegate more authority to the field prosecutors, such as the authority to indict, to include tax counts and in other criminal cases, to engage in plea negotiations in tax cases.

Mr. Egger. We are discussing those points with the Justice Department right now. We believe that there are many ways in which the tax case prosecutions can be speeded up considerably.

Senator Chiles. Mr. Corcoran, you were discussing the problem that you had in your testimony in a search warrant case on the basis of the reorganization and the removing of the intelligence provisions from Customs, a Federal judge had knocked out your search warrant.

Are you appealing that case?

Mr. Corcoran. We have requested that it be appealed and it is my understanding that the criminal division in Justice has supported that appeal. I think they are in the process of appealing it now, sir.

Senator Chiles. In addition to that, requesting that appeal and I would like to know for the record if it is for sure you are appealing that, are you doing anything to see this is cleared up in the reorganization itself so we won't run into this in the future?

Certainly there is nothing in the organization wanting to prevent Customs from wanting to seek a search warrant.

Mr. Corcoran. We are attempting, as Mr. Powis said, to work with Justice to try to clarify that type of working relationship.

I think we also have to be careful in our investigations, this was a task force, it was a joint DEA-Customs operation.

When it is not directly related to smuggling, who signs the warrant and who signs the affidavit is important.

It seems clear, until this case is settled—it might be quite a while—we will have a lot of people appealing cases when a Customs agent signs the warrant in this type of case.

Senator CHILES. What I am saying is, why should we give them that, that doesn't really go to what is attempting to be done in the reorganization in separating intelligence functions and separating the other things, so why don't we just change or put something in the reorganization that says, it retains the power to enter into a search warrant so no defendants can be able to use that.

Mr. CORCORAN. I certainly agree with that, sir.

Mr. POWIS. I would also, Senator.

Senator CHILES. Is that being done? Are we going to do that?

Mr. POWIS. Yes, sir, we are talking to Justice. We have every assurance from them that there will be an appeal in this particular case. There is another case in another district that is coming right on point within the next few weeks and if there is any indication of a nonappeal, we will proceed with Justice in an effort to get it changed and this is linked into discussions we are having with Justice anyhow about the ability to deploy additional resources from Customs into the drug area.

Senator CHILES. Part of my concern is, we get your testimony and each of you cite some kind of problems that we are running into. If those problems relate to us and it's a legislative change, I would like that spelled out because this committee has been very interested in trying to provide the vehicles to provide those legislative changes. If those problems are something in regard to a reorganization [illegible] something that is in-house, why in the world can't we get the Attorney General's task force to look at those things and iron out so that we don't run into those problems?

Mr. POWIS. Senator Chiles, I will assure you that in our talks with Justice, if we see and feel there has to be a legislative change, we will certainly communicate that to this subcommittee.

Senator CHILES. Commissioner, it is our understanding—Mr. Bensinger just gave us an example where despite high profits by drug traffickers, the IRS gave those traffickers credit in the form of deductions for the cost of doing business to reduce the traffickers' tax liability. Why shouldn't deductions be limited to legitimate business costs and not allowing expenses incurred for an illegal business?

Commissioner EGGER. Senator Chiles, I think the case you are referring to is the one that was in the press. That was a Tax Court decision, not something that we did necessarily as an administrative move.

Senator CHILES. Then would you flag that as something we need to do in the Congress, to provide a change to say business deductions have to be legitimate business deductions, that they cannot be—or can you do that in your regulations?

Commissioner EGGER. We cannot do it by regulations.

Senator CHILES. You can't?

Commissioner EGGER. No.

Senator CHILES. Cannot?

Commissioner EGGER. Cannot.

Senator CHILES. Well then I would certainly think that is something we ought to be——

Commissioner EGGER. I do not have all the details of the case that was the subject of that comment. I will pass it along to the Treasury where the tax policy people certainly should take a look at it.

Senator CHILES. Would that include under that tax court decision, would it follow that the cost of drugs or bribes to judges, all of those things would be legitimate business deductions for the illegal trafficker?

Commissioner EGGER. Well, certainly not some of them. As I understand, they did give this individual the cost of goods sold as a deduction. Certainly not bribery, because that is contrary to public policy and clearly prohibited under the Internal Revenue Code.

Chairman ROTH. I just have a couple more questions. Time is moving on. We will leave the record open for any questions the panel may want to submit in writing. I ask you gentlemen to respond in writing.

I would like to go back to my question to you earlier. I am still bothered about interdiction and to what degree it is effective. We had some traffickers before our subcommittee last week. The thrust of their testimony was that it is really pretty easy to bring drugs in. What bothers me is that, not that we should give up the fight, don't misunderstand me, but if our intelligence isn't that good, how are we ever really going to be able to stop it? Do you agree with the traffickers' statement that it is extremely easy to bring drugs in?

Mr. CORCORAN. I think to some degree that is true. I think we find in hard drugs particularly, our efforts have not been good against it—if you consider the statistics indicating about 4 tons of heroin smuggled into the country and 35 tons of cocaine annually, there is no question that intelligence and the proper tactics are the only way we are going to combat it. I think that is what Mr. Powis is talking about in our discussions with Justice. We feel strongly that we can enhance and compliment the intelligence gathering and the investigative capability at the border.

We feel this is an area that Customs can contribute more than we are doing at the present.

Chairman ROTH. I have one further question. There has been a lot of talk about securing more Defense assistance in this area. Assuming that the Congress does agree on its approach, which I think is highly desirable, the question comes, how is it going to be paid for? I wonder, has this been determined or are there discussions underway on this matter at the present time?

Mr. POWIS. Senator Roth, under present arrangements, it's a reimbursable situation where we are reimbursing Defense. There is no question about it, continuation of this kind of thing will put some severe strains on the Customs' budget situation. It is something we intend to continue talking to Defense about and certainly if we can get an arrangement whereby they will cover that cost, it would be beneficial, we think, for everybody concerned.

Chairman ROTH. I must say, it bothers me very much that these DC–7's are able to come in undetected, as I said last week. They could just as well have a terrorist bomb as marihuana. It does seem to me the Department of Defense ought to be somewhat concerned about this problem as well.

I would hope that you aggressively pursue this because under the present practices as I see it, the Department of Defense is not going to be very much help. If there is any way of being effective in interdiction in some of these large hauls, it seems to me this is a problem that ought to be resolved.

Mr. Powis. We certainly will pursue it, Senator.

Chairman Roth. Senator Rudman.

Senator Rudman. Mr. Powis, I just have one brief line of questioning for you. I think it is generally known in this country today that south Florida is really a crisis area in regard to the whole problem of narcotics traffic—cocaine, marihuana, and whatever else is up for sale. Recent publicity on the flow of money in south Florida is extraordinary. Time magazine which came out today has an excellent story detailing the drug traffic in south Florida and other parts of the country.

Here is one paragraph. Let me read it to you. It says:

> Most, if not all, of Miami's 250 banks have drug money in their accounts. As many as 40 banks still neglect to report cash deposits of $10,000 or more as required by law, and at least four banks, according to law enforcement officials, are controlled by drug dealers. Treasury Department investigators have long suspected that some smaller banks, and so forth, were simply formed to launder money.

I don't think there is much disagreement as to the crisis in south Florida, and that effects all law enforcement agencies. It seems to me, though, that the Treasury Department and all of the other agencies, the Comptroller, and so forth, really have to get together in a massive effort to get at these funds and to aid the DEA and Customs and others in what they are doing.

My question is simply this: Has there been any focus within the Department of the Treasury on this south Florida problem regarding this huge amount of money which is essentially going for illicit purposes?

Mr. Powis. Senator Rudman, there certainly has been. Treasury was the initiator, if you will, of Operation Greenback which really does focus on this problem. It is an effort to get at the major drug trafficker and his money launderer through the Bank Secrecy Act and the requirements that the Bank Secrecy Act imposes on banks and on individuals, the reporting requirements.

I feel that we really are focusing in this area. I am aware of a number of investigations that are going on involving banks and bankers. I also hit that issue with some caution in terms of the fact that we do not see it as an across-the-board thing involving bankers. We certainly see some banks and we see a lot of big banks with some employees who are doing things that are illegal and improper. But there is a focus and we are closely working with the bank supervisory agencies, Customs, DEA, and the Internal Revenue Service.

We have quarterly meetings to make sure we are all on the same track up in Treasury. Myself and Assistant Secretary Walker have been down to Florida on several occasions dealing with the Greenback people. It certainly is an area of focus for us.

Senator RUDMAN. Do you believe you have sufficient resources within the Treasury to deal with this problem in south Florida?

Mr. POWIS. Within Treasury in Operation Greenback, we feel we definitely do.

Senator RUDMAN. Thank you, Mr. Chairman.

Chairman ROTH. Senator Chiles.

Senator CHILES. I want to applaud Operation Greenback. I think it is the greatest success story we have going. Especially it proves out, when you put the resources together and the combination and bring the Internal Revenue Service people into the fight, what can be done. That is something we have been seeking for a long time and in this subcommittee. The proof of it is very much there in those indictments. I question whether the resources are there given the kind of indictments that you have been able to turn up with the people that you have there, given the kind of money seizures, the rings you have interrupted, the laundering you have interrupted. It seems like to me more resources—it's out there. You are just touching the surface of what is there.

With 26 special agents and 5 other agents from the Internal Revenue Service—they are doing a hell of a job, but I don't agree that that is sufficient resources that you are mining all of the field that is out here because I think you are just touching the surface.

Mr. POWIS. Senator, let me comment on that. We do have 12 customs agents full time in this project. There is a squad of DEA agents. I certainly would agree with you that there is a lot more there.

Senator CHILES. While I was talking with some of these people down there, when the operation was first starting, they were telling me of the problems they were having even trying to do their paperwork because of other regulations that had come down and cut out secretaries and cut out staff people and cut out travel allowances and they were not able to get people back and forth from Washington. They were not able to just get their paperwork done because of the cutbacks that were taking place.

Mr. POWIS. Senator, in June of this year, we found some of that to be the case and our office, in conjunction with the IRS and Customs, has seen to it that some of these clerical and support resources have been made available. I think we are doing much better in that effort right now.

Senator CHILES. We have the additional problem that as we are making these indictments, we have not the assistant U.S. attorneys down there with not sufficient trial help to prosecute the cases that we now have given the other caseload that they have got. We are indicting a lot of people and we are not able to put them through the other end of the net, to prosecute them because of shortages we have got.

Mr. POWIS. We are somewhat aware of that and have been talking to Justice about that.

Senator CHILES. I listened to the testimony of Customs as well and talking about the interdiction and I think back to the period last year, and I guess some of it this year, when your planes were grounded because unless they had a specific target and preintelligence on a specific target, they didn't have the fuel to go up there and patrol the choke points where they have got some of the radar on the planes and we were able to get a couple new planes down here with some of the new radar, but they didn't have the fuel to actually go up and routinely patrol the area. Is that changed? Do we still have that situation going?

Mr. CORCORAN. No; I don't think so. We had to make some adjustments. We had some military aircraft, which we found were gobbling up a lot of fuel and were not that effective because they didn't have the range and radar capability.

Senator CHILES. I am talking about the Falcons grounded with the FLR radar?

Mr. CORCORAN. I think that was a temporary local problem we did correct. I don't think that problem exists today. I do recall when that happened and it was brought to my personal attention. We did correct the restrictions on their operations that should not have been done at the time, particularly in the Miami area.

Senator CHILES. Commissioner Egger, former IRS Commissioner Donald Alexander stated, and I quote from him:

> Selective enforcement of tax laws designed to come down hard on drug dealers and syndicated crime may be applauded in some quarters but it promotes the tax system as a tool to be wielded for policy purposes and not an impartial component of the democratic mechanism which applies equally to all. The overall emphasis on our criminal enforcement activities has been shifted away from the special enforcement programs, such as narcotics trafficking programs and the strike force, and is aimed more directly at the taxpaying public.

How would that sit with your philosophy as the Commissioner of the Internal Revenue Service?

Commissioner EGGER. I think I said in the testimony here that so far as I am concerned, and so far as this administration is concerned, the criminal violation of tax laws is of immediate and direct interest to us regardless of where it takes place, but when you couple it with these other crimes against society, then in our opinion it becomes doubly bad and needs to get very high priority and it is getting that kind of priority in the Internal Revenue Service today.

Senator CHILES. During the subcommittee's hearings on illegal narcotics profits, it was recommended that an Assistant Commissioner of Enforcement position be created in the IRS, the position the subcommittee felt was needed in order that the Commissioner of IRS would be able to get critical input from the Criminal Investigations Division. What are your views on that recommendation? IRS has an Assistant Commissioner for Compliance. Why not an Assistant Commissioner for Enforcement?

Commissioner EGGER. At the moment, I am looking at the organizational structure in the national office, and that is one area. I will say that with my ready access to the Director of Criminal Investigation Division, Tom Clancy, who is with me here today, as well as to Phil Coates, who is Assistant Commissioner for Compliance, I do not feel any lack of ready input——

Senator CHILES. I appreciate that you don't, and I just want to extend this one more minute. Sometimes it is necessary to send a signal to the troops and when the troops have been sent the signals from 1974 on, 1975 on, that we are downgrading the enforcement division, and that was certainly readily apparent. They were at one time sort of an elite division and we see their toys were taken away from them, the intelligence gathering devices were taken away from, the agents were pushed out. Everybody got the message clearly.

We began to see that and we still get the feedback from Assistant U.S. attorneys and U.S. attorneys who come up and say IRS agents don't want to do anything with us, or they are so handicapped, their head is down, we have to send some signals to those people out in the field that you look on this differently. This may be one of the ways to send the signals. I hope you will think of other ways to send signals.

Commissioner EGGER. I am doing just that. In each of my visits to the districts and to the regions, it goes without saying that I have a meeting with the department heads, including the Criminal Investigation Division. A great deal of our discussion, and in fact as late as yesterday we had a special briefing in the Southwest on problems we are having with illegal tax protestors and the drug trafficking problems we are having in the Southwest. This was a special briefing dealing only with the activities of the criminal investigation division in that district. This is very much on my mind and it is getting attention.

Chairman ROTH. Thank you very much, gentlemen. We appreciate your being here today. I might say that I very strongly support what Senator Chiles just said. I think it is important that this message be gotten across to the people who are actually at the working level. Thank you very much.

I would at this time call our last witness, Dr. Carlton E. Turner, who is the senior drug policy adviser, Office of Policy Development. Would you please raise your right hand. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TURNER. I do.

Chairman ROTH. Please be seated. I want to apologize for the long delay in getting to you. We appreciate very much your being here. I believe you come forth with a distinguished background that can provide us with a new perspective of the problems. I realize that you have only been in your present position a relative short time, but there is no question but what your position is one of, if not the key, position in this administration on the attack on the illicit use of illicit drugs.

Senator RUDMAN. Might I just say to this witness that I am sorry I have to leave. I will read his testimony and will have several question for him I would like answered for the record. I have another engagement I must be at.

Chairman ROTH. Thank you, Senator Rudman, for your participation. Please proceed.

TESTIMONY OF DR. CARLTON TURNER, SENIOR DRUG POLICY ADVISER, OFFICE OF POLICY DEVELOPMENT, THE WHITE HOUSE

Mr. TURNER. Mr. Chairman, distinguished members of the committee, it is a pleasure to appear before you today. The assistance and guidance that this committee has provided in the past is appreciated and I look forward to continuing that relationship.

I will confine my remarks to a brief discussion of the scope of drug problems, the goals and objectives of this administration and five major elements of our comprehensive approach.

Mr. Chairman, drug abuse does not concern just one drug. Nor, does it create problems for just one group of people. Drug abuse involves a variety of drugs, afflicts people from all walks of life, and knows no geographic nor political boundaries. The problems created by drug abuse effect the vitality of our Nation, our communities, our families, and most of all, the users themselves—especially young people.

The number and amount of abusable drugs available today and the pervasiveness of drug abuse among broad segments of society is staggering. We have approximately 23 million youngsters between the ages of 12 and 17 in this country. In this age group, at least 37 percent are currently using drugs and alcohol.

Conservative estimates based on the 1979 National Survey on Drug Abuse and on census data indicate that 8.6 million young people consume alcohol monthly, 4 million use marihuana monthly, and 2.8 million consume tobacco on a monthly basis. Estimates for other current drug use by youths are: Cocaine, 330,000; other stimulants, 270,000; inhalants, 480,000; hallucinogens, 500,000; sedatives, 260,000 and tranquilizers, 140,000. The number of youngsters in the 12 to 17 age group who use heroin are few.

While a drug abuser is likely to use several drugs rather than just one and therefore be included in more than one category, the total numbers should cause grave concern.

The use of drugs by all American youngsters between 12 and 17 creates at least 104,000 acute, drug-related visits to medical facilities each year. Of these 104,000 young people, 60,000 require treatment for problems related to marihuana or marihuana in combination with other drugs. Less than 1,000 youngsters under 18 seek treatment for heroin use each year.

According to the latest report from the Surgeon General on health promotion and disease prevention, young people between the ages of 15 and 24 now have a higher death rate than 20 years ago. While health for all age groups is considerably better than 75 years ago, there is one startling difference: Adolescents and young adults, between 15 and 24, have not kept pace with the overall increase in national health.

The Surgeon General lists alcohol and drug abuse among the more common health-related problems for this age group.

The report based on the national survey on drug abuse also indicates that among young adults between the ages of 18 and 25, over one-third or 11.2 million are current marihuana users. Almost 3 million currently use cocaine. The numbers of young adults who use heroin are so small that they are considered statistically insignificant by the report.

[At this point, Senator Rudman withdrew from the hearing room.]

Mr. TURNER. For persons 26 and older, 7.4 million currently use marihuana, and 1 million use cocaine. The numbers of adults who use heroin are too small to be reported.

Mr. Chairman, I am not trying to downplay the problems of opiate use. Current estimates suggest that there are approximately 400,000 opiate addicts in America. What I am trying to do is to put drug problems in perspective and share with you the overall scope of the problem.

Even though we continue to be deeply disturbed by the problems of opiate use, I believe we must be equally concerned about the use of other drugs. The numbers of people affected dictates that we broaden our efforts. Our drug problems will never be solved by continuing to concentrate our efforts on any one drug or class of drugs.

For the past decade, much of our effort has been focused on the opiate problem. However, we are now seeing the effects of the widespread use of other drugs. These drugs, once considered soft and less dangerous, are now creating acute and chronic problems for the well-being of our people.

Today's problems now involve many drugs. In order to understand the problems, we must use all available data. The data systems that have been used to tell us what our drug problems are were developed in the mid-1970's. I believe that we should face the known methodological problems associated with gathering and analysis of data and review the systems now in use.

Although we are concerned about various problems with the national data systems, we must continue to use these data. They are all that we have at the moment. For example, while we appreciate the value of the survey of high school seniors, often these data do not present the total picture.

Twenty-five percent of students across the Nation do not graduate from high school. School dropouts are probably the highest drug-using group. Therefore, the high school seniors survey only reports drug use information about the survivors—those young people who have stayed in school.

Mr. Chairman, drug abuse is a problem that affects all citizens, from all socioeconomic groups and in all age categories. Through the work of this committee and other congressional committees, as a result of the work of previous administrations and because of the increased concern of our citizens, the problem of drug abuse is sizable, but it not as bad as it could be.

I should note that even though approximately 37 percent of our Nation's youth currently use drugs and alcohol monthly, 63 percent do not. We have recognized the rights of a nonsmoker to eat or enjoy air travel in a smoke-free atmosphere. Likewise, the nondrug using population has a right to be protected from any consequence of drug use caused by the users.

A 1981 Washington Post/ABC News poll showed striking differences between the public's and school principals' perceptions of school problems and drug use. Three hundred and three school principals were asked about major school problems. Twelve percent said that drug use in school was a major problem and 13 percent said that alcohol use in school was a major problem. However, 1,501 adults perceived the problem in another way. Sixty-six percent of the public said that they thought that drug use in school was a major problem and alcohol use in school was cited as a major problem by 49 percent of these people.

Mr. Chairman, I have talked with many young people across this country and I can tell you that they have many misconceptions about drugs. Part of this is our fault. Young people have been led to believe that there are soft drugs, hard drugs, and dangerous drugs. The notion is that soft drugs do little or no harm: that they do not cause dependence of any kind. Therefore, they can be used with impunity. On the other hand, young people have heard that hard drugs and dangerous drugs are extremely harmful and will cause physical and psychological dependence.

These beliefs have created a situation in which young people associate soft drugs with soft drinks. There is no basis for such an association. Our young people deserve a clearer message from us.

Perhaps this is the reason Dr. Mel J. Riddle expressed alarm at a hearing of the Senate Subcommittee on Alcoholism and Drug Abuse on October 21 of this year. Testifying as a representative of the National Association of Secondary School Principals, Dr. Riddle said:

> Teachers, counselors, and administrators must recognize and prevent drug use by students or face the prospects of a progressive deterioration of student behavior. The school staff must deal effectively with the most negative student behavior or accept the fact that that behavior may become a standard by which all other behavior is compared.

Just as we are finding that school behavior problems are associated with drug use, crime has been associated with opiate use. Although the data do not permit us to directly link numbers of crimes to numbers of opiate addicts, we know that opiate users engage in more criminal activity than any other population of criminal offenders.

This is indeed something to be concerned about. But, I would also like to draw your attention to the fact that crimes are committed by people who use all types of drugs and most of these people were involved in crime before their drug use began. In addition, we must be concerned with crimes that are committed by drug traffickers who are not themselves drug users.

Mr. Chairman, I am certainly not here to propose a quick fix. Just as serious diseases sometimes develop slowly and fester over many years, the drug problem in America has not happened overnight. It has been growing in spite of the efforts of recent administrations and the yeoman efforts of many congressional committees.

I believe that one reason for the growth is that we have tended to view the drug problem too narrowly. What we need is a broader and more balanced perspective so that our prevention and control efforts can take full advantage of the vast Federal, State, local, and voluntary resources that can be brought to bear.

This administration intends to mobilize four major components of society to capitalize on the existing mechanisms and resources that Americans have traditionally used to solve national problems. These are the Federal Government, State and local governments, the business community, and the force of the volunteerism.

Our objectives for these four areas are:

To integrate and make use of all Federal resources in the effort to prevent and control drug abuse.

To provide national goals and information to assist State and local governments in making informed decisions about mobilizing their resources to address drug abuse prevention and control at the local level.

To encourage the use of the resources of the business community to convey the drug prevention and control message and to encourage business to make their efforts consistent with our goals and with the voluntary efforts of our citizens.

To capitalize on the tremendous potential of voluntary citizen efforts to prevent and control drug abuse.

By broadening the availability of existing Federal resources which previously have not been focused on drug problems, we will be able to capitalize on existing resources and will integrate drug issues into the functions of many Federal agencies.

To assist State and local governments in making informed decisions about how they can best address drug problems in their localities, the Federal Government will provide data and national goals. In this way, control should remain at the local level—the best place to address local problems.

The business community must make drug problems part of their concern. We will encourage the establishment of employment and rehabilitation programs that are useful both to business and to the victims of drug abuse. By using the financial resources of business to educate Americans about drug problems, we can reduce the demand for drugs and thereby improve productivity.

We expect drug manufacturers, colleges and universities, and the general health care establishment to play a major role in prevention activities.

By capitalizing on the tremendous potential of voluntary citizen efforts, of individuals and organized groups, including the religious community, we will tap the most important natural resource of this country—the citizens themselves.

We will rely heavily on the force of volunteerism for a significant part of our prevention program. I believe that many citizens, especially parents of school-aged children, stand ready to undertake such an effort. This administration will support their efforts by publicly taking an unequivocal and united stand against drug use.

The President indicated, on March 6, that it was his belief "that the answer to the drug problem comes through winning over the users to the point that we take the customers away from the drugs." The President emphasized that while we must not let up on enforcement, "it is far more effective if you take the customers away than if you try to take the drugs away from those who want to be customers."

By mobilizing existing resources of the Federal Government, State and local governments, the business community, and the voluntary efforts of citizens, we will help too:

Reduce the spread of drug abuse by diminishing the demand for and reducing the supply of drugs.

Reduce the drain on productivity caused by drugs and drug trafficking.

Improve the mental and physical health of our communities.

Support the role of the family as the primary socializing mechanism of society.

Bolster the moral character of the individual, the community, and the Nation.

Our drug effort will encompass five major areas: Research, detoxification and treatment, prevention and education, international cooperation, and drug law enforcement.

RESEARCH

I am here today as the senior drug policy adviser for the administration. I am also calling upon my 15 years in the research field, with over 10 of those years as the director of large, multidisciplinary research programs. I know very well the great value in research. But I am also aware of many of the problems.

We intend to reexamine how research data is used, what we decide to research, and how those directions are made.

We consider it extremely important that basic research findings be transferred in a timely and understandable way for use by health care professionals and the public. I strongly support the smooth transition of information from research from use in the field of education.

One of the highest priorities of drug research should be the development of antagonists. These are substances that will nullify, render unpleasant, or otherwise change the expected action of a drug. They could be used to reduce the time a person spends in treatment and could lessen the drain on resources required for long-term maintenance treatment.

We will encourage the pharmaceutical manufacturing community, colleges and universities, and professional health care organizations, when appropriate, to undertake more drug research. In this connection, one pharmaceutical firm has already filed a new drug application [NDA] with the Food and Drug Administration to market a narcotic antagonist for the purpose of treating addicts.

We will encourage longitudinal and epidemiological research to accurately gage drug problems.

Research, wisely undertaken and carefully planned, will butress all of our efforts to prevent, treat, and control drug problems.

DETOXIFICATION AND TREATMENT

Although the direct involvement of the Federal Government in funding and managing treatment facilities has diminished, that does not mean, however, that treatment services are of a lesser concern to us. The block grant program for alcohol, drug abuse, and mental health will allow States to decide what types of treatment modalities they will support, and will enable States to design appropriate treatment responses to the drug problems of their local communities.

I commend the work of the drug treatment communities. I believe that they have achieved sufficient stature to allow them to effectively deal with States and with other funding sources for continuing support.

[At this point Senator Chiles withdrew from the hearing room.]

Mr. TURNER. This administration considers the appropriate Federal role in the support of treatment for drug abusers to be to provide information and guidance to enable the responsible State agencies to make fully informed decisions about the uses of their block-grant funds.

For example, we do not believe that it is in the best interest of the patient or the community to substitute one drug for another over an extended period of time. Therefore, we will encourage States to continue detoxification and treatment programs that will reduce the length of time a person spends in treatment and will work toward the detoxification of patients from all drugs.

In keeping with our efforts to involve all sectors of society, we will encourage the integration of drug abuse services into the general health care system, especially the mental health system.

We will urge the business community to work with State agencies and private facilities to undertake employment and rehabilitation programs that will enhance and complement all treatment efforts.

PREVENTION AND EDUCATION

Probably the greatest opportunity to reduce the demand for drugs and solve many of our drug problems, lies in a comprehensive, long-term national drug abuse prevention campaign. Combined with a strong enforcement policy, a campaign that unequivocally states the clear and present dangers of drug abuse and alcoholism must be directed to our young people. It will also be of tremendous support to parents and school officials in making a united effort to prevent the spread of drugs and reduce the magnitude of the drug problem.

It is necessary that such a campaign be considered long term. An occasional shot for 3 or 4 weeks on television and radio is just not enough.

The basis of this long-term effort is the mobilization of organized and individual voluntary citizen efforts. People will carry the message to their children, brothers, sisters, neighbors, and public officials.

We will call upon the National Parent/Teacher Association and other similar organizations to place a high priority on drug abuse prevention in the schools.

We expect the support and active involvement of the business community and labor.

Naturally, we will expect participation from all Federal and State agencies with responsibility for drug issues.

A strong and comprehensive prevention and education campaign will encourage the expansion of the parent group concept and will support the family at the primary socializing mechanism of society.

Our long-term approach in prevention and education will not only be a positive message for individual families and communities, but will also be reflected in schools, the workplace and our military.

INTERNATIONAL COOPERATION

On September 28, President Reagan spoke about crime control before the International Association of Chiefs of Police. The President said: "One of the single most important steps that can lead to a significant reduction in crime is an effective attack on drug traffic."

He added that he would establish "a foreign policy that vigorously seeks to interdict and eradicate illicit drugs, wherever cultivated, processed, or transported. This includes the responsible use of herbicides."

Thus, our international drug policy will be the development and implementation of a long-range effort to eliminate drugs at their source and to interdict drugs in transit.

If we are to be successful, the prohibition against the use of herbicides to eradicate cannabis must be repealed. We must be able to allow foreign assistance money to be used in eradication programs.

I should note that Senator Chiles, Senator Nunn, other members of this committee, and other Members of the Senate have been strong supporters of this proposal.

We will also continue our support to producing and transiting countries in the form of technical training, advice, and equipment.

We support the proposal in section 126 of the Foreign Assistance Act to include drug considerations in the Agency for International Development's development programs. It is also of utmost importance that drug issues are integrated into international agreements where appropriate.

We must reach greater understanding between ourselves and drug-producing nations. There are frequent misconceptions in the international community about our commitment to drug traffic control.

Why should they make a strong effort to eradicate drugs produced in their countries if we do not make the same effort here to control domestic production of illegal drugs?

We must control the spread of domestic cultivation and production of drugs.

Our international drug policy must include active participation at the highest levels of international drug control organizations such as the U.N. We strongly support this country's involvement in the program planning activities of agencies such as the United Nations Fund for Drug Abuse Control. We also support worldwide drug control strategy objectives for all nations as put forth by the United States.

DRUG LAW ENFORCEMENT

I have saved this subject for the last part of my testimony, Mr. Chairman, because I believe that with appropriate changes and improved coordination and cooperation, we can substantially reduce the availability on drugs. I also consider enforcement initiatives to be an integral part of a comprehensive prevention program.

This administration has several enforcement initiatives. Some were set forth in President Reagan's September 28 speech on crime control. Some have been presented to the Senate Judiciary Subcommittee on October 23 by the Attorney General. Others are in the legislative process.

We are on record as favoring the use of appropriate military resources to assist in the interdiction of drug trafficking.

We support the exception to posse comitatus now in the final stages of congressional approval. This exception will permit the sharing of intelligence and use of military equipment to stop the flow of illegal drugs into our country. An exception to posse comitatus will, as the President has stated, "improve detection and interception of illegal drug imports."

I should note that Senator Roth, Senator Nunn, members of this subcommittee and other Members of the Senate have been strong supporters of this proposal and have been instrumental in obtaining Senate approval.

We also believe that States could make greater use of the National Guard organizations to assist in drug enforcement efforts. Operation Green Harvest is an example of National Guard cooperation with law enforcement agencies in domestic eradication efforts. We will seek ways to tap this resource.

In addition, our efforts to stop drugs from coming into this country must include all Federal agencies with border jurisdiction.

We will suggest revisions in drug regulatory mechanisms to simplify registration.

We will seek to improve the quality of drug intelligence by increasing the priorities and improving the quality of analysis. We see this effort as one of improved international cooperation as well as better organization of our domestic intelligence operations.

We believe that the integration of all law enforcement resources into the enforcement of drug laws is our most effective, economical and efficient approach. We will pursue the development of a domestic policy that will more effectively coordinate efforts among Federal agencies as well as between these agencies and those at the State and local level.

For example, progress has already been made by improving cooperation between the FBI and the DEA and between the State drug enforcement alliance and these agencies.

Mr. Chairman, in a time of limited government funds, we are aware that we must include agencies that have not been considered major drug enforcement resources.

For example, the U.S. Marshal Service is currently apprehending fugitives. In fiscal 1980, the U.S. Marshal Service apprehended 18,750 fugitive felons. Of these, approximately 47 percent had been involved in drug trafficking. As recently as Friday, November 13, the Marshal Service apprehended 76 fugitives in the Miami area. Forty of them were drug fugitives.

Additionally, the U.S. Marshal Service spends slightly more than $500 per arrest, compared to other Federal agencies averaging as much as $14,000 per fugitive.

The last portion of my testimony, Mr. Chairman, describes how the President's program to control crime applies to domestic drug enforcement.

We can make more efficient use of limited court resources by increasing the use of concurrent jurisdiction in investigations and prosecutions. This will provide greater flexibility in the indictment and sentencing of violators of our drug laws.

We intend to expand the use of financial and currency investigations as a primary enforcement tool. To this end, we support tax law reform to strengthen the ability of agencies responsible for financial matters to participate in the drug enforcement effort. Tax law reform will allow us to use information from the Internal Revenue Service to develop drug cases.

For enforcement to be effective against drug trafficking, we must be able to deprive drug conspirators of their economic base. We support legislation to broaden and expedite criminal forfeiture of money and property obtained in smuggling and trafficking activities.

This administration's legislative reform proposals place a high priority on the new bail law. These proposals are designed to protect the community by keeping people who are a danger to society in custody and detaining those who are likely to flee after being arrested on major charges.

Many traffickers consider bail costs to be part of their overhead expenses and tend to continue to traffic in drugs while they are out on bail.

We cannot afford to allow this to continue. We must be able to interrupt this illegal business and keep drug traffickers behind bars until trial.

Another legislative proposal of importance calls for changes in the exclusionary rule. The President has said this rule "rests on the absurd proposition that a law enforcement error, no matter how technical, can be used to justify throwing an entire case out of court, no matter how guilty the defendant or how heinous the crime."

The administration's proposal calls for modifying the rule so that evidence cannot be excluded from a criminal proceeding if it has been obtained by an officer acting in the reasonable, good faith belief that it was in conformity with the fourth amendment.

The Attorney General has already directed Federal prosecutors to make certain that recommendations for adequate prison sentences are firmly and clearly made to the court. We also support an increase in the penalties for drug traffickers and inclusion of mandatory minimum sentences for all drug traffickers regardless of the drug.

Mr. Chairman, these initiatives are by no means comprehensive. They represent initial steps by this administration to effectively limit the supply of and demand for drugs in the United States. I welcome your advice and suggestions.

In conclusion, we must make every effort to prevent the spread of drug abuse among our people—especially among young people for they are the future of our country.

As a very great American has said,

> A child is a person who is going to carry on what you have started. He is going to sit where you are sitting and when you are gone, attend to those things you think are important. You may adopt all of the policies you please, but how they are carried out depends on him. He will assume control of your cities, States, and nations. He is going to move in and take over your churches, schools, universities, and corporations, the fate of humanity is in his hands.

The author of that comment was Abraham Lincoln. What he said is as true today as it was then; perhaps with more urgency.

I know that you will agree with me, Mr. Chairman, that we must make the fight against drug abuse of the highest priority in order to preserve the vitality of our people and insure our Nation's future.

I would like to leave you with a remark made by William Faulkner when he accepted the Nobel Prize for Literature. At that time, there was widespread concern about the survival of mankind. Faulkner said, "I decline to accept the end of man—I believe that man will not merely endure: He will prevail."

Just as Faulkner would not give up on mankind, I refuse to give up on the possibility that we will have a society free of drug abuse. I believe that with proper guidance from people such as yourself, young people and all Americans will prevail in reducing drug use.

Thank you for giving me the opportunity to appear before you.

I will be happy to handle any questions.

Chairman Roth. Thank you, Dr. Turner, for your statement.

I believe that every administration, recent administration, has been very serious about their efforts to wage war on drugs and yet I have to state that as I listen to the various witnesses we have had during these hearings, I have come to the continued conclusion that we are indeed losing this war.

Where do you think the others have gone wrong and this administration will be able to go right?

Mr. Turner. Mr. Chairman, this administration views the drug problem as one that must be integrated into all levels of society. We are looking at a broad program that covers everything from enforcement to prevention. I think, in the past, several administrations would concentrate on treatment or enforcement.

Other administrations would concentrate on a short-term prevention program. We believe strongly that with a long-term education-prevention program; adequate enforcement with the proper international initiatives; continuation of the treatment that we have available and research, we can make inroads into the problem with a comprehensive program that other administrations have not been able to do.

Chairman ROTH. Well, certainly one side of the problem is the so-called demand. Last week, when we had a group of convicted traffickers before the subcommittee, they all made it very clear that as long as there is a demand, there will be a supply as well. So I strongly support and agree with the idea of trying to change the acceptability of drugs in our society. I wonder, in talking about coordination and cooperation, are you working with the Department of Education and the local school people to see what can be done to provide a better preventive program to disabuse the young in particular, but all segments of our society, of the problems of drug use.

Mr. TURNER. Mr. Chairman, we want to take the prevention program down to the grassroots levels, involving the parents, involve the people on the local level, involve the officials on the local eve and invove the loca organizations. We mentioned the Parent-Teachers Association. They have agreed to help.

We want to go to the elected officials and concentrate on the local communities.

I talked to Mr. Milton, the mayor of Celeste, Tex., recently. He said:

> The Celeste Parent Awareness Group has helped us decrease drug use. They were a big help. We had a terrible problem until they became involved. They have been very helpful and have educated, the city, on different types of drugs. They have been at least 90 percent effective in their efforts. They have also educated our area and as a result that has helped considerably.

That quote was from the mayor. He was involved with the school officials and local officials and we believe strongly this is the area to which we must go.

Chairman ROTH. How are you going to change the attitude when you have got a lot of people, including some doctors and others, drug enforcement people, that say the only way to cope with marihuana is to legalize it?

What is your answer to that?

Mr. TURNER. Mr. Chairman, that is no solution; 104,000 young people require attention at hospital facilities each year because of drugs, and 60,000 of those then going into treatment because of marihuana. Legalization is not going to solve any of these problems.

Legalization is going to create more problems. I would hate to see us go down the same road as we have gone down with alcohol and some of the other drugs on the market.

Chairman ROTH. There are some who feel this administration is providing inadequate resources for this war on drugs. In fact, they take it as a reason for saying that the administration is not serious.

We have had many witnesses, some of them here today, that state they believe it is essential to have additional resources.

How does the administration answer that charge? I must say I am concerned, personally concerned, as to whether or not we have adequate resources. There has been talk about using the military, a concept and idea which I support.

Are you dealing with the question of how to pay for this assistance from the military? I don't know whether you were here earlier today when the former head of DEA made the suggestion that we might finance these activities by some kind of a trust fund which would be formed with the assets seized, illegal assets of the traffickers.

Have you given any thought to that?

Mr. TURNER. Mr. Chairman, the President's position is that we want to use all resources available and not to exclude any of those resources. And some of those suggestions bear further consideration.

Chairman ROTH. I think it is important that this question of how we are going to finance the utilization of military be faced promptly if it is going to become an effective tool.

Congress, as you know, is removing the limitations in this area. I would say to you that we plan—at least in our present thinking—to hold some hearings later about this idea of what should be done in this area of seizure of assets and how it might be utilized on the war on drugs.

So I would urge that your office give some thought to this because it is something we will be following through on.

Going back to the consultation and coordination of all the various groups at every level, do you—and again I appreciate and understand you have only been in the office briefly—will you, as the adviser in the White House in this area, be calling together, for example, people from the State Department who have a very important role particularly with respect to our efforts overseas, the DEA, the IRS—how will we really achieve this coordination in an effective way?

I will be blunt with you. One of my problems is that the executive branch is always coordinating and meeting but nothing ever happens. And we cannot afford to have that be the case here.

Mr. TURNER. Mr. Chairman, I share your concern there. The organization I headed before I came to Washington in July was a complex organization and coordination was always a problem.

I learned a few things from the mistakes I made there and one of the things I learned is, if you make a group a rigid group, you lose flexibility. So the first thing we did was to review the coordination mechanism and try to add flexibility into that under the concept of Cabinet government.

We have the oversight working group or oversight committee which meets on a monthly basis. That committee is currently comprised, subject to change, of the Assistant Secretary for State for Narcotic Matters, the Acting Administrator of the Drug Enforcement Administration, the Director of the National Institute on Drug Abuse, the Commissioner of U.S. Customs Service, and the Deputy Assistant Secretary of Defense for Drug Abuse.

We have the Narcotics Division of the Department of Justice, and we are also looking into the availability of bringing in other people as necessary and appropriate.

We will address issues in this that are of coordination efforts and try to make this a much better coordinated group than the previous group.

Chairman ROTH. Many people feel, of course, the IRS can play a much more effective role. There has been a great deal of criticism about the lack of cooperation and aggressiveness from IRS.

I gather from what you said there is no representation at least at this stage from IRS.

Mr. TURNER. I think I probably left out the Coast Guard which I should correct. The Commandant of the Coast Guard is included in the oversight working group. We are looking at a proper way to include the IRS. There are several mechanisms we can use. There is also the Veterans' Administration, their programs could be useful and appropriate.

Perhaps a better mechanism would be to look at a working group under a Cabinet council, to change the composition of that group to address more issues.

Chairman ROTH. I would also just make mention you would want to bring, it would seem to me to be highly desirable to get the Department of Defense involved in this too if we are going to utilize their services.

Again, my concern and I applaud you for your background and success, but one of the big fights you have here in coordination is the turf fights, nobody wanting another agency or department—I thought I saw a little bit of that today.

Frankly, we shall be following this aspect. I do think working effectively, getting some kind of a strike force is an area of special responsibility in this committee which oversees reorganization, which brings me to my next question.

There has been a lot of talk going on about another reorganization of DEA.

Have you had any input into the decision on how DEA will work with the FBI and when is the final word of that going to be forthcoming?

Mr. TURNER. Mr. Chairman, my office is not involved in those considerations. I think those considerations are best handled within the Department of Justice.

Recommendations have been sent to the Attorney General and I think the Attorney General will make his recommendation in the near future.

Chairman ROTH. Are they consulting with you in any way?

Mr. TURNER. We are always in contact with the people at certain departments.

Chairman ROTH. I would urge you to make sure they review these so you are confident we are proceeding in the proper direction.

One of my concerns is that the degree of cooperation we get from abroad apparently has been hurt by the feeling abroad that we are not serious in our war with drugs. They point to the decriminalization of marihuana, they point to the acceptability on the part of at least part of our society, they point to the fact that marihuana in particular is growing in increasing amounts.

How can we change that so that the cooperation from abroad will be forthcoming? Should we make greater use of foreign aid from the standpoint of substitute programs for those who now raise drugs or possibly as a threat?

Is this something your organization or advisee group is talking about?

Mr. TURNER. Mr. Chairman, in that connection, I have met recently with a delegation from Colombia, some from Sweden, Canada, and several other countries. They perceived an attitude coming out of Washington that is not conducive to getting them dynamically involved in the drug area.

We have stated to them that we will quit sending ambiguous messages. We will concentrate on the international level just as we have on the other areas.

As far as setting a good example, I think our domestic eradication program, underway for several years, is probably the best kept secret in this country.

I think once they begin to realize our dedication to this, we will get greater cooperation. In regard to that, we are seeking ways to make certain that when appropriate, that international agreements include drug considerations.

Chairman ROTH. On the point that the domestic eradication is the best kept secret, I gained the impression from some of our prior witnesses that we really are not making that kind of headway. They see a very substantial increase in a major part of the illegal drug market being supplied by domestic sources.

Are you saying you feel it is adequate today?

I am not sure I am able to reconcile what you are saying to what some of the other witnesses said.

Mr. TURNER. Mr. Chairman, I am not saying it is adequate at all. We have known domestic cultivation was increasing since the early 1970's and yet we did not concentrate any effort at all in those areas.

It is one of those situations that has festered and gotten out of control. However, I mentioned the State Drug Enforcement Alliance. They are diligently working with the DEA, FBI, and other agencies and have initiated eradication programs. We have eradication programs in California, Florida, Georgia, Kentucky, Missouri, and an eradication program in Mississippi and other States. These are usually not headline-types of operations. But, they are there and they have been having some very good successes.

Chairman ROTH. I guess the bottom line is, do you see the domestic supply increasing now or decreasing?

Mr. TURNER. Mr. Chairman, the domestic supply of drugs I think fluctuates from region to region within the United States, but overall it is probably increasing and has been gradually increasing.

I remember the first sample we saw of domestically cultivated marihuana was in 1973. we consistently brought that to the attention of the Federal authorities.

Chairman ROTH. What are your views concerning a Cabinet-level position for narcotics?

Mr. TURNER. Mr. Chairman, within concept of Cabinet council government, I think you have many mechanisms to get each individual item that is of interest in the narcotics area, worked through the system that will in effect give you Cabinet-level discussions because each Cabinet council contains Cabinet members.

I don't see the need for a Cabinet-level position with the integrated framework of Cabinet council government that we have today.

Chairman Roth. Dr. Turner, the hour is growing late and I know Senator Rudman in particular and I am sure Senator Nunn and others may have some questions. So we will leave the written record open for a week to enable them to submit any questions they may have.

I appreciate you being here today and I must say you have, in my judgment, one of the most important and most challenging jobs in the world. I wish you well in your efforts.

Mr. Turner. Thank you, Mr. Chairman.

Chairman Roth. Thank you, Doctor.

Mr. Weiland. Senator, for the record, if I may just offer certain exhibits before we close, I would like to offer a newspaper article dated March 12 on Operation Greenback.

Chairman Roth. Without objection.

[The document referred to was marked "Exhibit No. 9," for reference, and follows:]

Exhibit No. 9

[From the Wall Street Journal]

Feds Crack Down on "Laundering" of Narcotics Money

FLORIDA INDICTMENTS GIVE LIFT TO "OPERATION GREENBACK"; EFFECT OF REAGAN CUTBACKS

(By Jim Montgomery)

Plantation, Fla.—Ordinarily, nothing pleases a banker more than a steady inflow of cash. Last summer, however, Arthur Griffin decided that he had seen too much of a good thing at the Landmark First National Bank branch that he manages here.

"I never saw so much money in my life," the senior vice president recalls, "and I hope I never do again. It was coming in in boxes. In one week, we received a little more than $10 million." One afternoon, he recalls, 12 tellers worked from three o'clock to 5:30, and six more stayed another two hours to count $1.2 million in $20, $50 and $100 bills.

In late October, the bank called a halt. Mr. Griffin, who had been told that the cash belonged to wealthy Salvadorans trying to get their money into a politically safe country, said the huge deposits had to stop because they were causing staffing problems at the bank.

A few months later, federal agents—whom Mr. Griffin had contacted—descended on the bank, slapped handcuffs on Dolores "Lolita" Eirin, a new business officer, and led her away. Indictments in a federal court in Miami now charge that she was knowingly helping some prosperous new depositors, including a pair of brothers known to lawmen as the "bad guys of Colombia," to "launder" more than $70 million through the Landmark branch last year. Mrs. Eirin and the brothers deny the charges against them.

FIRST BIG BREAKTHROUGH

The indictments marked the first big breakthrough for "Operation Greenback," a multi-agency federal campaign started last summer to slow the runaway $7-billion-a-year flow of illegal narcotics through southeast Florida by pursuing the banking trail of cash proceeds and disrupting their transfer out of the country.

Drug traffickers seek to "launder" their enormous cash take through financial institutions rather than simply carry it out of the country in suitcases—to avoid various dangers, including holdups, federal officials explain. Besides, they say, simply too much drug cash is generated every day for anyone to carry it away physically.

With the sums involved, even "laundering" is risky. Last month, for example, an alleged drug money courier walked into a suburban Miami bank and asked a guard to help him carry about $750,000 in from the paring lot. While waiting for the guard, the courier glanced out the window and saw a "320-pound Latin male enter the car with keys and drive it off," according to an affidavit filed in the Miami court by Operation Greenback agents. The courier then "refused to report the theft to police, called a taxi and left the bank," the affidavit adds.

Late last month, Operation Greenback began to pick up speed as agents from the Internal Revenue Service, Drug Enforcement Administration and Customs staged daylight raids on two Miami banks—Bank of Miami and Great American Bank of Dade County—suspected of being used to launder more than $60 million in drug profits in 1980 and this year. Greenback officials say the initial indictments cover only a handful of the alleged traffickers and bank accomplices whom they expect to nail this year, despite what they cite as a major handicap—the recent hiring freeze imposed by President Reagan at a time when they had planned to ask for more help.

MANY BANKS SUSPECTED

Still, "an awful lot of banks are under investigation," says Atlee W. Wampler III, who, as the U.S. attorney in Miami, is the chief federal law-enforcement officer for southern Florida. And G. Roger Markley, one of four federal prosecutors assigned to Greenback, notes "other cases where we strongly believe much higher-level bank officials took kickbacks to let this sort of activity go on." The corruption, he contends, involves top management in "more than one" other Miami-area banks.

However, middle- to lower-level bank employes are the most attractive accomplices for drug millionaires because, as Mr. Wampler observes, "they're usually not paid very well." Two Landmark employes, Alan Campbell and Gary Dodson, who were implicated in the alleged scheme with Mrs. Eirin but pleaded guilty to a misdemeanor violation of accepting gratuities, were earning less than $15,000 a year. So was Mrs. Eirin.

Thus, if what the government alleges is true, it was a pretty heady inducement when Hernan Botero walked into the Landmark branch and offered, in effect, to pay each of the three bank employes $1,000 a day tax-free to run large amounts of cash through the bank without reporting it to the IRS. (Such reports are required for cash transactions exceeding $10,000.)

The federal indictments and complaints in the Landmark case describe these commission arrangements and may offer a typical case of just how a drug-money laundering operation works.

Prosecutors contend that Mr. Botero agreed to pay the three bank employes a commission of 0.75 percent on the $400,000 a day that he told them he would deposit in five accounts that he opened under five different names. To explain the flood of new cash into the bank, they allegedly concocted the El Salvador story, which isn't implausible in Miami, the flight-capital center of the Western Hemisphere.

To further allay management suspicions, the bank employes, prosecutors say, faithfully filled in the required IRS Form 4789S on most of the Botero deposits, carefully put a copy of the form in the bank's records and just as carefully sent the IRS copy through the bank's paper shredder.

The deposits didn't stay with Landmark long. The money quickly moved to other banks by wire transfer or by cashier's checks sent through the mail. Because such transfers are exempt from IRS reporting requirements, the money thereby became clean.

Last spring, a government affidavit says, the deposits began to shrink a bit because, an alleged Botero runner explained at the time, the Florida Straits were so choked with Cuban refugee traffic that Mr. Botero was having a hard time getting his shipments from Colombia.

INFLUX RESUMED

But the flow of money resumed with such force last summer that in August Mr. Griffin grew uneasy and called an FBI agent whom he knew to report "something strange going on." Despite his subordinates' reassurances, Mr. Griffin says he "didn't believe anyone could get that much money out of El Salvador."

By early November, federal agents confirmed his suspicions that his bank had become a laundry, and Messrs. Campbell and Dodson and two tellers resigned. Mrs. Eirin wasn't charged until this year.

The indictments charge Mrs. Eirin, Hernan Botero and his brother, Roberto, and other alleged runners and traffickers with importation of cocaine, conspiracy to defraud the government, making false statements to the IRS, failure to make proper currency reports and mail fraud. Attorneys for Mrs. Eirin and the Boteros say they deny all charges and will plead innocent.

Even more shocking to the Miami banking community, however, were the sudden raids on Bank of Miami and Great American Bank. In the raids, federal agents seized bundles of bank records involving numerous accounts of an alleged kingpin of Miami money-launderers. The bank officials were stunned, and an attorney for Great American says the agents "descended . . . en mass like storm troopers." He brands the raids a publicity stunt.

CHARGES REBUTTED

Mr. Wampler, the U.S. attorney, calls such charges "without foundation" and says the search warrants were issued on the basis of affidavits alleging "serious felony violations."

He says the searches were related to the recent arrests of Isaac Kattan, a Colombian, and several associates by the Drug Enforcement Administration. The men were linked to a Miami apartment that contained, among other things, several high-speed money counting machines and stacks of uncounted currency. Mr. Wampler says Mr. Kattan is "believed to be the biggest money-launderer for major narcotics organizations" anywhere. He adds that the Kattan organization laundered $60 million through Great American in the past year—$7 million of it a couple of weeks ago—and millions more through Bank of Miami.

Mr. Kattan was arrested at his car, in which agents found a small bag of cocaine; on his person, agents found about $250,000 in negotiable checks and cash. On the same day, DEA agents stopped a white Jaguar driven by a Kattan associate and found 21 one-kilogram packages of cocaine. The driver said he was carrying the drugs for Mr. Kattan, according to affidavits filed by federal agents in a federal court in Miami.

On another occasion last month, according to another affidavit by a federal agent, Mr. Kattan, one of his couriers and a bank employe entered Great American Bank together. One of them was said to be carrying a brown suitcase. A federal agent in the bank overheard Mr. Kattan say to the bank employe, "I told them not to bring the money like that." The bank employe allegedly replied: "Well, don't worry, the main thing now is to count the money and, by the way, don't worry about it; from now on I'll take care of all your cash transactions."

INFORMANT QUOTED

One of the federal agents' affidavits quotes a confidential informant as stating that "over the past year, large amounts of cash have been brought into the (Great American) bank on an almost daily basis in cardboard boxes and in suitcases by Latin males." Federal agents said the statement was corroborated by a bank-regulatory-agency report and by "surveillance at the bank by (federal) agents."

Federal affidavits also say the Kattan group sent millions of dollars to Switzerland and elsewhere through the Miami office of Donaldson, Lufkin & Jenrette Securities Corp. In January alone, prosecutors say Kattan associates brough $11.7 million of cash into the brokerage firm's offices. (Prospectors praise the firm for cooperating with the investigation.) Mr. Kattan and two associates have been indicted on narcotics charges in a federal court in Miami and have pleaded innocent.

Miami bankers generally laud the goal of Operation Greenback, but some question its tactics, especially the raids during banking hours. A raid is "a most unusual procedure," complains William B. Roman, vice president and general counsel of Pan American Bancshares Inc., a large bank-holding company. "It could create a run on the bank. . . . They could have done it in a back room (of the bank) without telling the customers."

Alexander Wolfe Jr., who heads Miami's largest bank, Southeast First National, says "we've got a monitoring team that's intense" to prevent a laundering operation. But he adds, "I can't tell you for sure" that one or two employees "in some remote corner" somewhere aren't laundering something. "I don't think there's any banker in the country who can tell you that," he says, especially if, like Southeast, they have "general-ledger transactions of $6.9 billion a day, including $2.2 billion and 138,000 transactions in checks, cash and wire transfers. It's staggering."

MOSTLY SMALLER BANKS

But court documents filed thus far indicate that the alleged laundering involves mostly smaller banks. Although Landmark Banking Corp. of Florida is a $1 billion institution, its Plantation office has deposits of only about $65 million; Bank of Miami, the lead bank of Popular Bancshares Inc., has about $230 million of deposits, and the North Miami unit of Great American Banks Inc. has about $105 million. During or after laundering, federal investigators believe, the drug proceeds are flowing through most banks in the area.

U.S. Attorney Wampler says he expects criticism of Operation Greenback, such as the charge of publicity stunting, because, he says, "We're going after a portion of society that's been untouched (in past drug investigations). The banking community isn't used to being faced with (such) law enforcement. . . . After all, he says, last month was "the first time federal agents have conducted raid-and-search operations on banking institutions in southern Florida in the fight against major narcotics-trafficking organizations."

Southeast Banking's Mr. Wolfe says he doesn't know whether Greenback has been effective in slowing the drug traffic. But he vows in his role as civic leader to "seek more federal resources" that will focus on nabbing traffickers on the water, in the air, on land and, if necessary, in the banks. "This isn't a local problem," he says. "It's a national problem."

Mr. WEILAND. Yesterday we had substantial testimony regarding a case of the *United States* v. *Enstam* and *Oldham*.

I would like to offer for the record, but not for publication or reprinting, a copy of the search warrant from that case. I would like to offer my staff statement [1] regarding the visit that we had to the Cayman Islands and our meetings with all of the top government officials there and stress for the record, Mr. Chairman, that the staff's concern about offshore banking havens and the use of such for the laundering of narcotics profits extend beyond the Cayman Islands. And the record should not reflect a total preoccupation with that country and its system alone.

As additions to that staff statement, we have a list of banks and trust companies which are licensed to operate in the Caymans, a copy of the bank secrecy law from the Caymans, a letter from me to the Honorable D. H. Foster, chief secretary of the Caymans dated October 16 soliciting any input he or his government might wish to make and finally an article dated October 18 from the Dallas Morning News regarding the use of Cayman banks.

Chairman ROTH. Without objection.

[The documents referred to were marked "Exhibit Nos. 10A, 10B, 10C, and 10D" for reference; Exhibits 10A and 10B are retained in the files of the subcommittee. Exhibits 10C and 10D follow:]

EXHIBIT No. 10C

U.S. SENATE,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C., October 16, 1981.

Hon. D. H. FOSTER, M.B.E., J.P.,
Chief Secretary, Governor's Office,
Grand Cayman, British West Indies.

DEAR MR. SECRETARY: The Subcommittee's public hearing on international narcotics trafficking has been scheduled for November 10, 12, 13, 17, and 18, 1981. Although the major focus will be on interdiction efforts and narcotics source country efforts to curb supply, there will be testimony pertaining to the laundering of narcotics profits and U.S. law enforcement financial investigations. As you are aware, the visit which Howard Shapiro and I recently made to Grand Cayman was designed to gather information about the movement of narcotics profits and the role of offshore banks, and staff testimony concerning our visit is likely. Other witnesses who have actually participated in narcotics trafficking are expected to appear and may refer to Cayman during their testimony.

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[1] See p. 626 for the prepared statement of S. Cass Weiland.

The Subcommittee is also interested in exploring the possibility of receiving either public testimony from a suitable representative of the Caymanian government and/or a written statement which can be inserted in the hearing record. If you have any questions concerning the upcoming hearing or wish to discuss further the possibility of Caymanian input, please contact me or Howard by phone (202/224–3721) or mail (101 Russell Senate Office Building, Washington, D.C. 20510).

Sincerely,

S. CASS WEILAND,
Chief Counsel.

EXHIBIT No. 10D

[From the Dallas Morning News, Oct. 18, 1981]

TEXANS STASH CASH ON ISLE, AGENTS SUSPECT

(By Bill Deener)

Federal investigators have identified about 2,000 Texas businessmen, conmen and couriers who they suspect are using the tiny Caribbean country of the Cayman Islands to hide or launder money illegally and to evade U.S. income taxes.

Gathering the intelligence information is a prelude to an all-out assault on Texans using the Caymans as illegal tax havens, said a source with the Internal Revenue Service.

U.S. Customs Service and IRS officials said they expect the Justice Department to form a strike force soon to combat the money laundering schemes. The force is expected to be similar to the Operation Greenback strike force in Florida.

"There is a lot of work and a lot of time involved in this. We are talking about hundreds of investigations," the IRS source said. "You're probably counting between 2,000 and 3,000 leads we have to look into." Each lead represents one person, he said.

Texas has become at least one conduit for the flow of "dirty money" to the Caymans primarily because people can make airline connections to the tri-island country from Houston, said Frank Chadwick of the U.S. Customs office in Houston.

"I've got a flight that runs three times a week to Grand Cayman Island, so we look very, very closely at people who make repeated trips down there," he said. "When we find a bevy of CPAs or attorneys making the trip, we get very interested."

Miami is the only other U.S. city offering flights to the Caymans. Legitimate reasons for visiting the Cayman Islands exist, he said—snorkeling being one of them—but the country thrives because it is a tax haven, offering banking secrecy unmatched anywhere in the world, including Switzerland.

People can hide money there with no questions asked, Chadwick said.

"Anybody who is smart enough understands that they can hide it (money) in a Cayman Island bank account with no trouble. That's why they go there," he said.

Money earned through narcotics, fraudulent land schemes, stock manipulations, skimming profits from a company and gambling proceeds are hidden, then "laundered" through the Caymans, he said.

No one would even estimate how much. One Dallas IRS agent said: "Tons and tons of it leave Texas every year."

Laundering schemes vary, but many involve taking the "dirty" money to the Caymans and returning with a loan from one of the 350 banks chartered there for the same amount.

U.S. Atty. Jay Ethington of Dallas, who prosecuted the only money laundering case in the state last year, offers this example.

The courier, carrying a suitcase full of cash, flies by commercial airline to the Cayman Islands. The money is given to a representative of the company there, say Worldwide Enterprises Ltd., then deposited in a bank account under that company's name. The company representative then returns the money to the courier in the form of loan—a $100,000 cashier's check, for example.

The courier returns to the United States and deposits the cashier's check in his account. The money is "clean" now.

If the IRS examined the banking records in the United States, the money would appear as a loan. The IRS is not permitted to examine the records of Cayman banks. The Cayman representative also provides phony loan documentation letters.

Because the money seems to be a loan, it seems as if the principal and interest are being repaid. Thus, payments are made on the "loan" and put into other Cayman accounts, thereby hiding that money from the U.S. government.

A Dallas man, who is familiar with the Caymans, said the islands are popular with Americans because English is spoken there, the political situation is stable politically and the IRS cannot crack the bank secrecy laws.

"You don't want your money in a place where they are going to have a revolution next week," he said. "You can take money down there, deposit it just like in a Swiss bank and transfer it to the U.S. as loans, payments, salaries, whatever."

Another Dallas man, who has laundered money through the Caymans, said: "The basis of the country is banking and tax avoidance. The general concept is that people who go there do it for a purpose, and that purpose is to avoid taxes. It's standard practice to provide this service."

The Caymans are small, flat islands of less than 100 square miles and 17,000 residents located 200 miles south of Cuba. Round-trip airfare from Houston costs $306.

The islands—Grand Cayman, Little Cayman and Cayman Brac—are a British colony but free of British taxes. It is a pure tax haven with only one direct tax—a $10 a year individual tax on residents, Ethington said. Income, capital gains, dividends and inheritance is not taxed. Since the country has no taxes, it has no tax treaties with other countries. So tax evasion in

"A banking officer can be jailed for telling us if someone even has an account there and our subpoenas aren't worth a thing," Ethington said.

Curiously in the midst of this tainted banking community, many of the most prestigious U.S. banks have chosen to establish Cayman branches. Ten Texas banks curently have branches in the Caymans, but federal authorities quickly point out that these banks operate legally and duplicate records of Cayman transactions are kept in the home offices.

Or as Ethington said: "If you are going to launder money, you don't deposit money in U.S. branches there because we can get at those records."

Texas banks with branches in the Caymans include First National Bank in Dallas, National Bank of Commerce of Dallas, Mercantile National Bank in Dallas, First International Bank in Houston and Fort Worth National Bank. Also, Continental National Bank of Fort Worth and American National Bank of Austin have branches in the Caymans.

An official of First National in Dallas, who asked that his name not be used, said the Cayman branch was chartered in 1973 "to finance international trade." He said the bank might loan money to a corporation in Brazil that needs funds for expansion.

"We deal with large multinational companies. We're dealing in very large amounts (of cash). We don't deal in under $100,000," the official said to point out that the bank does not do business with those trying to launder money.

James Gardner, president of Mercantile, said earnings of a foreign-based subsidiary of an American company remain in banks outside of the United States.

"So as long as those earnings are maintained outside the United States, then they aren't subject to U.S. income tax as long as they meet a long list of (federal requirements)," Gardner said.

"So if I'm a contractor in Dallas and I've got a subsidiary building buildings in South America, I might want to maintain the cash that resulted from the profits I've made outside the United States for as long as I'm doing business out there so I can continue to use it for additional working capital to make more money."

These transactions are legal and are monitored by the federal Comptroller of the Currency office in Washington, D.C.

The problems in the Caymans originate with non-U.S. banks, said Bob Serino, director of enforcement and compliance, for the Comptroller of the Currency.

Although no estimates are available for how much money was exported illegally from Texas last year, the nationwide estimate is $500 million yearly, according to the U.S. Customs Service in Miami.

The law requires that if someone takes out more than $5,000, he is required to file a form with Customs. Failure to comply with the law can result in a felony conviction.

Mr. **WEILAND**. Just a couple of other items, Mr. Chairman.

We have a report for the year 1980 from the Caymans which I would offer as an exhibit but not for reprinting.

We have a copy of a letter from a customs patrol officer. We also have some correspondence with the Customs Service wherein we sought their responses to certain questions.

[The documents referred to were marked "Exhibit Nos. 11A, 11B, and 11C," for reference; Exhibits 11A and 11B are retained in the files of the subcommittee. Exhibit 11C follows:]

EXHIBIT No. 11C

COMMISSIONER OF CUSTOMS,
Washington, D.C., November 13, 1981.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Permanent Subcommittee on Investigations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of October 27, 1981. I regret that a previous commitment precludes my attendance at the hearings on November 18, 1981. However, George C. Corcoran, Jr., Assistant Commissioner, Office of Border Operations, will represent the U.S. Customs Service in these very important hearings on the role of Federal law enforcement agencies in interdicting and investigating drug smuggling.

Enclosed are our responses to the questions posed by your staff. The statement of the Customs Service will be provided under separate cover. If additional information is required, please do not hesitate to contact me.

Thank you again for this opportunity to share with the Subcommittee the views of the U.S. Customs Service on this very important issue.

Yours faithfully,

WILLIAM VON RAAB.

Enclosure.

RESPONSES OF THE U.S. CUSTOMS SERVICE TO QUESTIONS OF THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Question. Customs directive MT 3400-04 dated June 23, 1978, restricts the participation of Customs officers in investigations involving domestic drugs. Does the Service intend to adjust this directive? Does the 1978 directive bar Customs personnel from taking part in multi-agency task force operations without the approval of Customs headquarters and of DEA? Does it preclude Customs officers from working cooperatively with local narcotics enforcement officials who often can provide information and other assistance?

Answer. The U.S. Customs Service has no plans to amend this policy statement. The restrictions on Customs Patrol Officers working domestic narcotics violations stem from Customs lack of statutory authority in this area. The diversion of Customs Patrol resources to domestic cases diminishes Patrol's ability to carry out its primary narcotics mission of interdiction at the border.

This 1978 directive does require Customs Headquarters approval of Patrol Officer participation in multi-agency task forces. Approval authority rests solely within the Customs Service and does not require DEA approval. Once again, the rationale for this activity is to insure Patrol resources are dedicated to it's prime mission of interdiction at the border.

This directive does not preclude Customs Patrol Officers from working cooperatively with local narcotics enforcement officials in narcotics interdiction cases. The policy of Customs has always been one of cooperation with local officials in matters of mutual concern. The directive does, however, restrict Patrol's participation in domestic cooperative efforts for the reasons stated above.

Question. We understand that Customs' "Internal Working Relationships Circular," dated February 4, 1976, requires approval by the Customs Office of Investigations and/or DEA prior to using informants or participating in undercover operations. Is this circular still in effect? If so, how many requests for such approval were received and of these how many were approved—by category and by region—during fiscal year 1980 and fiscal year 1981? What was the average length of time between request and approval or disapproval during each year?

Answer. The circular in question requires the approval of and coordination with DEA when Customs Patrol utilizes a participating informant. A participating informant is described as one who, at the direction of the case officer, actively participates in the crime in order to obtain intelligence or evidence. This requirement remains in effect.

Because of the decentralized organizational structure of Patrol, there is no central record depository from which to extract the statistics requested on using informants.

With regards Patrol Officer participation in undercover operations, approval authority was delegated to the Director, Office of Patrol, by the Assistant Commissioner, Office of Border Operations, in December of 1980. At that time, the Office of Patrol instituted a record keeping system from which the following statistics have been extracted.

Fiscal year 1980: Seven requests for undercover operations. All responded to the same date of the request. Six were approved, one disapproved.

Fiscal year 1981: Five requests. Four responded to same date of request. One responded to the next day. All were approved.

Question. Is the Memorandum of Understanding dated December 11, 1975, between Customs and DEA still in effect? If the Memorandum is still in effect, does the Service intend to seek a revision?

Answer. The Memorandum of Understanding, dated December 11, 1975, between the U.S. Customs Service and the DEA is still in effect. In accordance with this Memorandum, DEA is responsible for conducting all investigations relating to narcotics. However, DEA often lacks the resources to pursue these investigations. In these cases and with DEA concurrence, Customs frequently continues the investigation to the point of interdiction of smuggled narcotics. Additionally, the U.S. Customs Service has aggressively enforced the provisions of the Currency and Foreign Transactions Reporting Act, commonly called the Bank Secrecy Act. In each instance, where a financial investigation has revealed a major narcotics organization, DEA has been requested to join in a joint investigative effort. This working relationship has manifested itself throughout the United States, most spectacularly in southern Florida, southern California, and New York. The Memorandum of Understanding is, as the name implies, an understanding between the agencies in the conduct of narcotic investigations. With a closer working relationship, the Memorandum will have to be modified to reflect the increasing importance of financial investigations in disrupting international narcotic organizations and to accurately reflect the new investigative relationship between the U.S. Customs Service and DEA.

Question. During fiscal years 1979, 1980, and 1981, what has been the turnover rate for active duty patrol officers? How many patrol officers have left Customs or transferred to other Customs jobs for reasons other than disability, retirement or any cutbacks in force? Is this rate considered high or low?

Answer. From October 1, 1978 to September 30, 1981, (fiscal years 1979, 1980, and 1981) the staffing level for Customs Patrol has declined from 1.550 to 1,347, a 13 percent change. A survey conducted in fiscal year 1980 determined that the average annual attrition rate for Customs Patrol is about 6 percent, independent of any hiring freezes. As you know, a "one for two" hiring freeze was imposed by the previous Administration in fiscal year 1979–80. A "hard freeze" on hiring was imposed from November 1980 until April 1981. In this context, the 13 percent decline in Customs Patrol staffing levels can be considered a moderate change.

The few Customs Patrol Officers that have left the Service for other than disability or normal retirement have done so principally for career advancement. There has been no Customs Patrol Officer whose employment has been terminated because of reductions-in-force.

Admittedly, the Customs Patrol force has shrunk over the past several years. As a result, Customs is redeploying Patrol Officers to those areas of the country where the drug smuggling threat is the greatest—the Gulf and Southeastern United States. This action, scheduled for completion by January 24, 1982, will enable Customs to utilize its Patrol force more effectively to meet the smuggling threat facing this country.

Question. Are Customs Patrol Officers permitted to provide information to the IRS about suspected drug traffickers? If they are not permitted to do so, what is the justification for this policy? Are there any plans to change it and, if so, how?

Answer. There are no Customs policies prohibiting Customs Patrol Officers from providing information on suspected drug traffickers to the Internal Revenue Service. There are no current or planned restrictions on this activity. Of course, there are restrictions on IRS providing such information to law enforcement agencies.

Question. Is it true that in some Customs regions Patrol Officers may work in plainclothes certain days a week but must be in uniform the other days? If this is the case (a) how long has such a policy been in effect; (b) how does it affect undercover work, relationships with informants and similar work usually associated with plainclothes duty; and (c) are there plans to change such a policy?

Answer. Manual Transmittal 4100-15, dated April 10, 1981, established the policy that Customs Patrol Officers need wear uniforms only commensurate with the nature of their assignment, lifting a former requirement mandating the wearing of uniforms. Currently, 80 to 90 percent of the Customs Patrol force work in plainclothes. This facilitates their carrying out many Patrol functions, such as information gathering, surveillances, and meeting with informants.

Question. Are Patrol Officers required to travel in marked or unmarked cars? How long has this policy been in effect? Are there any plans to change this?

Answer. Manual Transmittal 4100-13, dated February 9, 1981 (attached), lifted previous requirements that Customs Patrol use marked vehicles, vessels, and aircraft in carrying out its mission. Although no fixed ratio of marked to unmarked conveyances was mandated in this policy statement, it was suggested that Customs Regional Commissioners utilize a ratio of 25 percent marked to 75 percent unmarked. This policy change reflects recognition of the fact that many Customs Patrol functions, such as information gathering, surveillances, and meeting with informants, can best be performed utilizing unmarked conveyances (vehicles, vessels, and aircraft).

Question. The following questions are based on data contained in the U.S. Customs Patrol fiscal year 1980 Regional Study:

(a) Some Customs regions appear to have made a large number of marijuana seizures with a low overall value whereas other regions made fewer seizures with a much greater value. How does Customs account for these disparities?

(b) Similar disparities among regions in terms of numbers of seizures and value of seizures seem to exist with respect to cocaine. What accounts for these disparities? Is it true that the Chicago region made no cocaine seizures during fiscal year 1979 and fiscal year 1980 and why does it continue to have the lowest amount of seizure value return for the dollar investment in resources?

(c) Do the disparities cited above in marijuana and cocaine seizures indicate a misallocation of resources? In other words, would Customs receive a greater return in value of drugs seized per dollar invested if personnel were transferred from areas of low return, like Chicago, to those of high return, like Miami?

Answer. (a) Individual seizure events may involve large or small amounts of contraband. If, for example, a mothership is seized with 20 tons of marijuana, that counts as one seizure with a value of $29,040,000 (marijuana street value of $726 per pound times 20 tons or 40,000 pounds). Conversely, if an individual is arrested at an airport with 2 pounds of marijuana, that counts as one seizure event with a value of $1,452 ($726 per pound times 2 pounds). The U.S. Customs Patrol fiscal year 1980 Regional Study shows that although some regions are making significant numbers of seizures, the seizures with the high value and amount of contraband seized are occurring in those Customs regions covering the Gulf and Southeast United States.

(b) The same explanation for the regional differences in number of seizures and value of seizures offered for marijuana also pertains to cocaine. Although Customs Chicago Region made no cocaine seizures within that region in fiscal year 1979 and fiscal year 1980, Patrol in that Region does provide information to other Customs regions which can lead to seizures in those other regions. Nevertheless, the costs of Customs Patrol enforcement effort in the Chicago Region in light of the value of the contraband seized there does not compare favorably with other regions. This reflects and supports Customs intelligence estimates that the magnitude of the drug smuggling threat and the pattern of international drug trafficking in the Chicago Region differ greatly with the Gulf and the Southeast United States.

(c) It is the position of Customs that such disparities in seizure and arrest statistics are excellent historical indicators of the changing smuggling threat, Analysis of these statistics and current narcotics intelligence assessments in light of Customs enforcement posture has led to the decision to redeploy some Customs Patrol Officers from low productivity and low threat areas to high threat areas. This process is well underway and will be completed by January 24, 1982.

Question. How many personnel changes have been made or proposed since the new budget cuts became effective on October 1, 1981? Where are personnel cuts being made and how deep will they be? Can the cuts be absorbed, possibly by a more effective reallocation of resources, without lowering effectiveness?

Answer. The U.S. Customs Service is currently operating under a continuing resolution. While there have been no increases in personnel, neither have there been any planned decreases. However, after carefully studying Servicewide Patrol enforcement results, it was determined that Patrol Officers should be shifted from areas with little enforcement opportunity or results to higher threat areas in closer proximity to the drug source countries of Latin America. Therefore, steps have been initiated to redeploy 103 Patrol Officer positions from the Boston, New York, Baltimore, Los Angeles, San Francisco, and Chicago Regions to smuggling penetration points along the south Atlantic and Gulf coasts. While no increases in resources for additional enforcement positions are anticipated, Customs will seek to shift some of its nonenforcement resources to assist the total Customs enforcement effort. This redeployment of Patrol positions and use of Customs nonenforcement resources will enhance our enforcement capabilities and antismuggling effectiveness. In addition, the absorption of potential fiscal year 1981 personnel cuts in Customs nonenforcement areas is under active review.

MANUAL TRANSMITTAL—MARKING OF PATROL VEHICLES, VESSELS AND AIRCRAFT

Purpose.—To transmit Policy Statement No. 4100–10.

Background.—When the Patrol Division was established, it was determined that it would be a highly visible enforcement element of the Customs Service. It was therefore appropriate that most operations be conducted in marked vehicles, vessels and aircraft. Since that time, experience and changing strategies have dictated that many Patrol functions such as information gathering, surveillances and meeting with informants must be performed using unmarked conveyances.

Nature of this Issuance.—Policy Statement 4100–10 establishes Customs policy concerning the marking of Patrol vehicles, vessels and aircraft.

Effect on Other Documents.—This issuance replaces Manual Transmittal 5200–01 and Policy Statement 5200–01, which are superseded.

Removal and Insertion of Page.—Remove: Policy Statement 5200–01; Insert: Policy Statement 4100–10 in a binder marked Policies of the U.S. Customs Service.

Authentication.—

WILLIAM T. ARCHEY,
Acting Commissioner of Customs.

POLICY STATEMENT—MARKING OF PATROL VEHICLES, VESSELS AND AIRCRAFT

Henceforth, Regional Commissioner will be responsible for determining the ratio of unmarked to marked vehicles, vessels and aircraft in Patrol units assigned to their regions. In making this determination, consideration should be given to the mode of operations of the Patrol elements in the region.

No specific percentage of marked or unmarked conveyances is necessary. However, for many Patrol operations a ratio of 25 percent marked to 75 percent unmarked may be appropriate.

And, finally, Mr. Chairman, a letter from the current U.S. attorney in Miami, Atlee W. Wampler to the Attorney General dated March 5, 1981, regarding his views of what might be accomplished in the south Florida area.

Chairman ROTH. Without objection.

[The document referred to was marked "Exhibit No. 12," for reference, and follows:]

EXHIBIT No. 12

U.S. ATTORNEY SOUTHERN DISTRICT OF FLORIDA,
Miami, Fla., March 5, 1981.

Hon. WILLIAM FRENCH SMITH,
Attorney General for the United States,
U.S. Department of Justice, Washington, D.C.

DEAR MR. SMITH: I hereby submit my recommendations on how to combat the national narcotics problem in South Florida. I offer these recommendations for consideration as part of the Reagan Administration's policy and program to control the narcotics problem in this country.

I was recently asked by Joan McMullan, the Executive Editor of the Miami Herald newspaper, to address the question of how can the narcotics problem in South Florida be controlled. I understand that my response is likely to appear on the opinion and editorial page of the Herald on Sunday, March 8, 1981.

I wanted to share my proposals with you before they appear in the press. These recommendations are ones which I have made on numerous occasions over the last six years.

Can the national narcotics problem in South Florida be controlled? My answer is yes. The method is to eliminate or drastically reduce the incentive to import, distribute or facilitate trafficking in narcotics.

Currently, a first time offender associated with ton quantities of marihuana, kilogram quantities of cocaine or tens of thousands of methaqualone tablets expects: not to be arrested; if arrested, to be immediately set free on bail pending trial; if tried to have representation by the best lawyers that money can buy; if convicted, to remain free on bail pending appeals, all the way to the Supreme Court; if eventually sentenced, to receive a sentence of two, to three years and to serve less than 10 months in "a clean, well-lighted place" (perhaps even receive probation); and, when released after a few months in prison, to have millions of dollars in narcotics profits waiting.

This instant narcotics-derived wealth perverts our national work ethic and system of values as otherwise law abiding members of our society are attracted to the possibility of similar riches for themselves. These persons are then ensnared into the narcotics web.

One action to reduce the incentive to participate in the narcotics business is to increase the risk of arrest and conviction through executive action. We need to provide a national commitment of federal law enforcement resources in South Florida, where 70 percent of the nation's marijuana, cocaine and methaqualone tablets are imported, distributed and financed. This commitment must include investigators, prosecutors and judges. The United States Attorney's Office needs to be allowed to reach its authorized strength of sixty-three attorneys, and to obtain an additional twenty-six attorneys plus support personnel. The Federal Judiciary needs four additional Federal Judges. A finite increase of Coast Guard resources has been determined, but not authorized, which would accomplish detection and interdiction of all sea and air narcotics traffic from South America.

I recognize that this action will require reallocation of existing federal resources to support these law enforcement activities. President Reagan has expressed his support for strong law enforcement action. You, as Attorney General, have announced that a priority of the Department of Justice will be combatting violent crime. As the narcotics crisis is directly responsible for an overwhelming proportion of our violent crime, particularly here in South Florida, I fully expect that requests for additional resources to deal with the crisis in South Florida will receive favorable action from this Administration.

Legislative action is also needed to provide certainty of immediate and long-term incarceration for narcotics traffickers. This is direct action which can be taken to reduce the incentive to traffic in narcotics, requires no reallocation or new funds, and can be accomplished as follows:

1. The pretrial bail statute must be changed to provide that upon arrest and pending trial, someone who is a "danger to the community" shall not be released on bail. A danger to the community must be defined in the statute to include a major narcotics trafficker: one who deals, conspires to deal, or facilitates dealing in 1,000 pound quantities of marijuana, one pound quantities of cocaine and heroin, or methaqualone in excess of 1,000 tablets or equivalent powder.

Chief Justice Burger, in a recent speech, suggested changes to the bail statute which included requiring the defendant to prove he is not a danger to the community, and requiring a judge to make a specific finding on the record that the defendant is not a danger to the community before a defendant could be released on bail prior to trial. The Chief Justice's recommendations should be integrated with my own proposal.

2. The post-trial bail statutes must be altered to require that bail shall not be granted for a defendant who is "a danger to the community" further defined as including a major narcotics trafficker as defined above.

3. The sentencing statutes must be changed to provide for minimum mandatory sentences including sentences of 8 to 15 years for major narcotics traffickers.

4. The whole system of sentencing must be changed so that the time sentenced is the actual time served. An 8 year minimum mandatory sentence must result in 8 years of actual incarceration.

These bail and sentencing changes would require anyone who would be attracted by the possibility of narcotics-derived riches to weigh such possibility against a certainty that upon arrest and conviction he would not see the light of day outside a jail cell for at least eight years. In my view, these legislative changes will provide a sufficient disincentive to stop individuals from participating in narcotics trafficking.

Finally, there are several fine tuning changes to existing federal laws which would be helpful, such as: providing rewards to persons giving information about narcotics trafficking based upon a percentage of the narcotics profits seized through such information; partial reductions of sentences to persons who testify truthfully and with corroboration against the hierarchy of narcotics trafficking organizations; removing legislative prohibitions against the destruction of narcotics in the country of origin; the Posse Comitatus Act should be amended to allow the use of military surveillance resources; require countries of foreign flag boats carrying narcotics on the high seas to prosecute foreign defendants under existing international narcotic treaties when such defendants can not be prosecuted in the United States; and increasing the penalty for carrying large quantities of marijuana on the high seas to 15 years.

By reallocating federal law enforcement resources to provide additional resources to South Florida, by taking legislative action to insure certainty of immediate and long-term incarceration for narcotics traffickers, and by fine tuning existing federal laws, we can control the national narcotics problem.

I urge this proposal be adopted as part of the Reagan Administration's policy and program to control the narcotics problem in the United States.

Sincerely,

ATLEE W. WAMPLER III,
U.S. Attorney, Southern District of Florida.

Mr. WEILAND. Thank you, Mr. Chairman.

Chairman ROTH. This brings to a close our 5 days of comprehensive hearings by the Subcommittee on International Narcotics Trafficking, hearings that I believe have been illuminating and I want to congratulate both the majority and minority staff for the good work they have done in preparing for these hearings.

I must confess that I think the testimony on the whole is largely depressing. When we began these hearings, I expressed the fear that we were losing the war on drugs. There is little in the record in these 5 days that serves to allay that fear.

In fact, most of it merely validates it. We will be having a number of recommendations to make in the very near future.

Senator Nunn and I in a bipartisan effort will be introducing a bill to tighten up some existing loopholes, what we see as existing loopholes, in the currency and Foreign Transactions Reporting Act.

It will increase the criminal and civil penalties for violation of the act, improve the enforcement authority of the Customs Service and will bring a violation of the act within the purview of the Racketeer Influenced and Corrupt Organizations Act.

I want to strongly urge—I think one of the principal conclusions is that we must develop a clear and cohesive policy regarding narcotics trafficking.

I think one of the problems is that past policies have been fragmented and the recommended policy must encompass foreign as well as domestic efforts to strike a realistic balance between resources allocated for both supply and demand.

As I said, the subcommittee will be issuing its recommendations as a result of these 5 days of hearings.

Undoubtedly, we will be continuing next year with a followup.

[Whereupon, at 1:37 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

APPENDIX

PREPARED STATEMENT OF ELEANORE J. HILL, ASSISTANT COUNSEL TO THE MINORITY, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

INTRODUCTION

Over the last year, the Minority staff of the Senate Permanent Subcommittee on Investigations has conducted an extensive inquiry on the trafficking of narcotics into the United States from Southeast Asia. Our emphasis on the Southeast Asian region is in direct response to those trends and factors which, by all indications, will largely shape and determine the course of international heroin trafficking in the 1980's.

The narcotics trade, like any other agriculturally-based business, is dependent to some degree upon the fortunes of nature for success. In determining the supply of narcotic-generating crops, natural events simultaneously determine to some degree the patterns of international drug trafficking.

Southeast Asia provides an excellent case on point. The area known as the "Golden Triangle," encompassing Burma, Thailand, and Laos, has routinely produced an annual opium crop of approximately 500 tons. Serious droughts in both 1978 and 1979 severely diminished the area's crop to somewhere between 160 and 170 tons and 225 and 250 tons for each of those years. Confronted by an obviously scarce supply of Southeast Asian opium and heroin, the attention of both narcotics traffickers and law enforcement authorities shifted to the Golden Crescent area of Southwest Asia, namely Afghanistan, Iran, and Pakistan, as a growing center of opium and heroin production.

Forecasts for international heroin trafficking in the 1980's, however, reflect law enforcement's belief that opium production will once again focus on the Golden Triangle. The drought which plagued the region in the late 1970's has apparently ended: the 1980-1981 growing season witnessed the return of a "normal" rainy season. Stimulated by good weather and drought-induced high opium prices, opium farmers in the region have reportedly now seeded up to four times the growing areas devoted to the crop last year. With continuing prospects for good weather, law enforcement authorities now believe that the 1981 Southeast Asian opium crop could well exceed 600 tons.

A "bumper" crop of opium of those proportions will inevitably result in a sizeable shift in heroin trafficking to the Southeast Asia area. Moreover, the increasing presence of political instability in Southwest Asia will undoubtedly make Golden Triangle opium all the more attractive to organized traffickers. Lastly, it seems likely that a burgeoning Southeast Asian heroin trade will center on routes less available to Southwest Asian traffickers: in short, those leading from Southeast Asia into the Western United States.

All these facts have resulted in a growing realization among American law enforcement circles that a major shift in heroin trafficking is about to occur. Moreover, given the stress on Southwest Asian opium production in recent years, it is likely that law enforcement as well as the public will, in many areas, be largely unprepared for the expected flood of Southeast Asian heroin in the American narcotics market. The potential effect of Southeast Asia's "bumper" crop on the domestic heroin problem in the United States is frightening, at the least.

It was in the context of these concerns that the Subcommittee staff set out to identify both the causes of and solutions for the problem of Southeast Asian heroin.

Based on the assumption that the narcotics situation is all too often treated within the context of domestic parameters only, our investigation was designed to also explore those aspects of the problem which are unmistakeably tied to a far broader international arena. The trafficking of narcotics is a phenomenon which, by its very nature, can be only fully understood and dealt with in the context of political, economic, and cultural factors on an international, and not soley domestic, level. With that in mind, the Subcommittee staff sought an understanding of the narcotics problem based on in depth interviews with domestic, as well as, international sources. Senator Nunn, as Ranking Minority Member, as well as Minority Chief Counsel Marty Steinberg, Assistant Minority Counsel Eleanore Hill and Chief Minority Investigator Jack Key, personally visited the Southeast Asian region, including Japan, Korea, Thailand, Burma, Malaysia, Singapore, Indonesia, and Hong Kong, discussing international narcotics enforcement with local government officials as well as representatives of the United States Drug Enforcement Administration (DEA). In addition to the international aspects of the investigation, the staff explored the influx of Southeast Asian narcotics within the context of American law enforcement, including direct contact with authorities in both Hawaii and California.

As a result of these efforts, the Subcommittee staff has collected a great amount of valuable information on the international narcotics trade generated in Southeast Asia. This staff statement is designed to summarize and publicly share the fruits of the Subcommittee's investigation. The potential importance of this material is clear on at least three levels: as an intelligence aid to law enforcement in their continuing efforts against narcotics; as an informational framework for this Subcommittee and the full Congress both in carrying out oversight responsibility and in forging appropriate legislative assistance; and lastly, as an educational tool for the American public in developing and sustaining a better appreciation of the gravity of the narcotics problem which today confronts the United States.

JAPAN

Although not situated within the area traditionally designated as "Southeast Asia," Japan's geographic, economic, and political importance to the region demands that it be considered in any comprehensive study of narcotics trafficking in that area.

Japan itself does not currently have a major domestic heroin problem. Heroin usage within the country, as well as cocaine and marijuana usage, is minimal. By contrast, in the 1950's and 1960's, the country did experience a problem with domestic heroin usage and addiction. Recognizing the problem, the Japanese took steps to eliminate it, and in fact, did so. Their approach was twofold: (1) a concerted enforcement effort focused on dealers as opposed to users; and (2) comprehensive rehabilitative and educational programs aimed at the entire spectrum of the drug subculture: "junkies," users and potential users. Given the large proportion of young people in the population, substantial effort was devoted to organizing an extensive drug education program aimed primarily at Japanese youth. Those educational efforts remain in force today. All these programs, reinforced by the traditionalist and non-permissive nature of Japanese culture, have resulted in a society relatively free of heroin, cocaine, and marijuana usage.

Japan has not, however, totally escaped the burden of a domestic drug problem. Japanese authorities acknowledge that a serious problem exists in the trafficking and domestic usage of methamphetamines. In 1980, Japanese law enforcement reported seizures totally 250 pounds of methamphetamines. Manufactured chiefly in Korea, followed by Taiwan, the Phillipines, and Hong Kong, most methamphetamines are smuggled into Japan by way of fishing boats out of Korea. Recently, the purity of those methamphetamines has increased doublefold, while the price has declined. Japanese authorities now believe that the supply route has shifted, tracing the drugs from Germany into Korea and subsequently into Japan. In any event, Japan remains the final destination point for most of the shipments, given the increasing domestic market for the drug.

The Japanese methamphetamine trade, while not directly influencing the United States on a major scale, may well be providing valuable trafficking experience to a group which is widely recognized as having the greatest future potential for developing major heroin trafficking operations into the United States. Designated the "Yakuza" or "Boryokudan," the group is the Japanese equivalent of traditional American organized crime syndicates.

Rooted deeply in Japanese culture, the Yakuza are the modern day successors to the ancient samurai warrior-class. When the samurais were officially abolished some one hundred years ago, the remnants of that class banded together in gangs, surviving to the present as the Yakuza, or Japanese organized crime. Law enforcement authorities estimate current Yakuza strength in Japan at 108,000, divided into some 2,500 separate groups or families. Of those, four major groups account for thirty percent of organized crime for all of Japan. Like American organized crime, they are territorial in nature, dividing control of criminal activities by region.

Although also engaged in other criminal activity, including extortion and gun trafficking, Japanese organized crime effectively controls all methamphetamine distribution within Japan. Trafficking in methamphetamines (generating about 2½ to 3 billion dollars per year) constitutes approximately 60 percent of all Yakuza money. All Yakuza activities, totalled for all identifiable groups, generate an estimated $5 billion dollars per year.

Although Yakuza drug activity in Japan presently centers on the methamphetamine trade, there are growing indications that they have engaged in heroin trafficking in several instances. Of even more immediate concern to American law enforcement has been the increasing presence and influence of the Yakuza in the United States. This was most prominently brought to light in 1972 when Yakuza member Waltaru Inada, a recognized supplier of two major heroin distribution organizations, was arrested in Hawaii in connection with narcotics distribution. While awaiting trial, Inada was murdered and his source of heroin was never identified. His murder remains unsolved.

In addition to instances of growing Yakuza interest in the heroin trade, law enforcement authorities now believe that Japanese organized crime is successfully filtering large amounts of Yakuza money into legitimate business enterprises in the United States, in Honolulu and elsewhere. The American economy is proving to be fertile ground for the investment of the tremendous profits which the Yakuza have reaped through dealing in illegal chemicals in Japan. This trend has been accompanied by a growing community of known Yakuza members and associates residing within the United States, particularly in Hawaii and California. Equally alarming is the fact that law enforcement authorities have confirmed contacts by Yakuza members with traditional American organized crime families. Given the current bumper opium crop in the Golden Triangle and the establishment of Yakuza money and contacts in the United States, numerous law enforcement authorities expressed to the Subcommittee staff their belief that it is only a matter of time before the Yakuza groups become seriously involved in the smuggling of heroin into the United States from Southeast Asia. Given their expertise and control of an established network for trafficking in methamphetamines, the heroin business presents a "golden opportunity" for future profit for the Yakuza.

That possibility is especially sobering given the relative lack of documented information on the Yakuza in American law enforcement circles and the easy influx of large numbers of Japanese tourists into the United States. Combined, those two facts will seriously undermine future attempts by law enforcement to control the extent of Yakuza activity within the United States. Where known convicted Yakuza members have arrived in Honolulu, the Immigration and Naturalization Service has acted swiftly on at least eight separate occasions to institute deportation proceedings against those individuals. Hawaii, however, remains a favorite spot for Japanese tourists, resulting in a consistently steady flow of Japanese through Honolulu customs. Proposals have been made to remove or shortcut the current visa requirements for visiting Japanese nationals. The airlines, in particular, have been urging the adoption of those proposals. Should the visa requirement be lifted, not only will detection and deportation of convicted Yakuza members become more difficult, but it will also become nearly impossible to effectively control the potential trafficking of drugs into Hawaii by Japanese nationals.

THAILAND

Though not itself a significant producer of opium for international heroin market, Thailand is, in many ways, at the very heart of the heroin trade in Southeast Asia. Situated directly between the opium fields and heroin refineries of Burma to the north and the transshipment ports of Malaysia and Singapore to the south, Thailand is undoubtedly an essential and critical link in the trafficking of heroin out of Southeast Aisa.

Thailand itself is largely a domestic producer of opium; little of the harvest is exported into the international heroin trade. As in other Southeast Asian countries, opium usage for a variety of purposes is long ensconced in local culture and tradition. In many villages in both Thailand and Burma opium has served as literally the only known medicine for hundreds of years. Beyond medicinal purposes, opium is an intricate and accepted part of many social and ritualistic aspects of village life. Opium is, for example, part and parcel of the village marriage ceremony. These alternative uses of opium are so prevalent that the crop is grown mainly for domestic usage in spite of the lack of serious addict problems in tribal villages. Authorities believe that the addiction rate in producing Thai villages is, in fact, less than five percent.

Supported by such strong cultural traditions, opium production in Thailand today still centers on what are commonly referred to as the "hill tribe villages" scattered throughout northern Thailand. Of 900 such villages in northern Thailand, at least 500 produce opium. Thai authorities estimate that there are now approximately 400,000 people in the hill areas who have no other source of income besides opium. In spite of official government eradication and crop substitution efforts, it is estimated that those villages will harvest approximately fifty tons of opium this year. That figure far surpasses the twelve tons produced last year.

The phenomenon of Thai opium production and the difficulties which law enforcement has encountered in dealing with it, can only be fully appreciated in the context of the cultural and political status of the Thai hill tribes. These villages are, for the most part, ethnically, geographically, and politically alienated from the mainstream of Thai society. The great majority do not have Thai citizenship by birth nor the right to land tenure. They have little money, little education, and little allegiance to the culture and political viewpoints of the central Thai government. Moreover, the isolation of these tribes renders them especially susceptible to the influence of many separatist political groups, some of which are themselves threats to Thai domestic security. An additional problem is the utter inacessibility of the areas in which the "hill tribes" cultivate opium. In the course of this investigation, the Subcommittee staff had the opportunity to examine firsthand the opium-growing areas of both Thailand and Burma from the air. Such overflights provide a true education in isolation for the Westerner. Village after village is nestled in densely forested mountain areas, with access to few or no roads leading to civilization. It is on the mountainsides surrounding those villages that opium is cultivated.

In Thailand, this problem of geographic isolation has improved somewhat over the years. Nine years ago, there were no crop substitution projects in these areas nor any sign of official governmental presence or interest. By contrast the areas were freely traversed by opium traffickers carrying their product south by human or mule caravan. Today, through intensive development efforts by the Thai government as well as the United Nations and foreign funded crop substitution projects, there are, at the least, roads leading to the villages now included in the various crop substitution programs.

In light of these factors, many authorities believe that a successful crop substitution program will prove to be the only effective long run solution to the problems of both narcotics and economic and social development in Southeast Asia. Success in that field will require both the identification of crops which are viable substitutes for opium as well as the discovery of ways to work effectively with the villagers themselves.

In seeking out the ideal opium substitute, authorities have recognized that opium itself is among the most labor intensive of all crops, making it especially attractive to the labor-rich and capital-poor hill tribes. In over eight years of experimental crop substitution in Thailand, kidney beans has emerged as the most ideally suited substitute crop for the opium poppy. It has the same growing season as opium and generally fits in with the agricultural pattern of the area. Kidney bean production is compatible with corn, which has traditionally been planted alternately with opium in the villages. Assorted fruit and vegetable crops have also been included in some programs.

When considering perennial substitute crops, the projects encourage coffee production. Tribal acceptance of coffee is promising, inasmuch as it is one of the few crops that can successfully compete with opium as to price. It takes approximately three years to cultivate a good crop of coffee. With the development of new roads, the Thai government has been successful in cultivating accessible markets for a sizeable coffee crop.

During the course of the investigation, the Subcommittee staff visited the site of the United Nations project in Chiang Mai, considered the most extensive crop substitution effort in Thailand. Initiated over eight years ago, United Nations personnel now maintain project activities in some thirty-nine Thai hill tribe villages. In addition, they have recently expanded into three new "extension" areas, each producing over 1,000 rye of opium. The project now employs sixty technicians, with available funds of one million dollars per year. United Nations funding has been obtained from American sources as well as Norwegian church aid, the latter contributing over sixty percent of the total.

United Nations project personnel have established ten separate agricultural centers throughout five separate geographical areas. In addition to crop experiments, development efforts, including programs in education and medicine as well as day care, take place in each of those centers.

Depending on the tribe, most of the villages are structured by individual families. The decision whether or not to participate in crop substitution is usually made on an individual basis -- it is not a communal decision. Usually a few innovators will become involved, with others subsequently following. The project has erected demonstration plots in each of the ten agricultural centers.

One of the biggest problems confronting the project has been in the personnel area. Given ethnic and cultural differences, there has been continual friction between the Thais and the hill tribes. It has proven extremely difficult to successfully place Thai project personnel within the scheme of village life. In an effort to avoid that problem, the project has now instituted six month training sessions in extension work. The hill tribe villagers are placed in these sessions for eventual return to their own villages as project extension workers.

Though in the forefront, the United Nations project is not alone in mobilizing crop substitution efforts in Thailand. There are now approximately 29 separate crop substitution programs in operation throughout the country. The Germans have invested some five million deutschmark for a similar project in Thailand. To date, only surveying has been accomplished. Situated to the northeast of the United Nations project, the Germans will emphasize development and research, stressing the identification of more exotic types of substitute crops. The United States Department of Agriculture has likewise invested one half million dollars per year in Thailand for research to develop viable substitute crops. Thus far, the U.S. Department of Agriculture efforts have centered on bees and mushrooms as potential opium substitutes.

The Thai government directly provides about fifty percent of the crop substitution funds. Indirectly, the government supplies about another ten percent by way of workers, etc. Thirty-one departments of the Thai government now have personnel working in some way on the opium program. Over a seven year period, foreign aid has provided ten million dollars for the projects, while the Thai government has contributed eleven million dollars.

Undoubtedly, the most serious hindrance to successful crop substitution in Thailand has been the continual lack of support from the Thai law enforcement community. The single most important factor in effective crop substitution is consistency. That element has been sorely missing in Thailand. For the last two years in a row, there have been official government announcements that opium crops will be destroyed. In reality, nothing has happened. Official Thai government policy dictates that the government will only destroy the opium crop where the government is simultaneously helping growers by some type of substitution program. As a result, the law enforcement community has little or no credibility with the hill tribes. Opium is grown freely on the assumption that no enforcement effort will be made. In the absence of a continual governmental presence, hill tribe farmers in many areas persist in cultivating opium interspersed with United Nations suggested crop substitutes. The drought-generated rise in opium prices has given farmers an even greater incentive to engage in opium cultivation, rendering crop substitution all the more difficult.

In Western eyes, an obvious alternative to crop substitution efforts would be the widespread spraying of herbicides. However, official Thai government policy rejects that possibility for a number of reasons. The Thais do not feel that spraying is a viable alternative inasmuch as the opium is routinely interspersed with a variety of other important crops. Moreover, the Thai people abide by Buddhist religious principles which strongly discourage the destruction of any form of life, including plant species. Lastly, Thai authorities repeatedly expressed to Subcommittee staff their refusal to engage in a policy of spraying when the United States itself does not do so. They do not believe that the United States government can rightfully expect Thailand to utilize herbicides which Americans are unwilling to use on drug crops grown in the United States.

Thailand currently has a domestic addict population somewhere between 400,000 and 600,000, most of which is centered in and about Bangkok. The increase in that figure over the years has been accompanied by a gradual change in the government attitude towards the drug problem. In earlier years, the Thais viewed the drug situation as essentually a foreign problem. With a rise in domestic addiction, they now readily recognize narcotics as a Thai problem as well.

As a result, the government has instituted a preventive drug education program for youth. Those efforts have, however, been limited by a serious lack of funding. They did recently succeed in raising almost U.S. $5,000 from private organizations for the production of an anti-drug film. Thai law enforcement authorities have successfully encouraged the establishment of a private foundation for funds to be used in the preventive education program. Moreover, the Thai government has enlisted the voluntary participation and cooperation of the media, particularly radio and television, in the drug education program.

As to other demand-oriented drug efforts, a government sponsored heroin treatment program is now in its fourth year of operation in Thailand. Based on the monitored distribution of methadone at clinics, Thai authorities believe that the program has achieved a forty percent success rate for outpatients. Previously, the only treatment available for addicts was that given at hospitals.

The real significance of Thailand in the international heroin trade lies not in its domestic production and usage of the drug. The country serves as the main trafficking conduit for opium and heroin from Burma into international channels. Opium grown and processed in makeshift heroin refineries in the Burmese hill country is funneled through Thailand by expert traffickers not the least of which are the "opium war lords" of northern Thailand.

Ensconced in the hills of northern Thailand and Burma, these individuals are the leaders of identifiable insurgent groups which have historically divorced themselves from the central governments in both countries. Claiming allegiance to separatist political causes, many of these groups are ethnically Chinese, having originated out of the Peoples' Republic of China as anti-communist groups. Examples are the Third and Fifth Chinese Irregular Forces (C.I.F.). To the contrary, others are purely communist in nature, such as the Burmese Communist Party (B.C.P.). Almost all these groups have coupled their political activities with narcotics profiteering to the point where they have now become criminal, rather than political, organizations. The most notorious of these groups, the Shan United Army (S.U.A.), is responsible for approximately eighty percent of all the opium trafficked through Thailand. Representing the remnants of the twenty-five year old Shan separatist movement, this group allied itself with the old Chinese war lord groups in the late 1960's. The Shan United Army alone now grosses approximately 50 to 60 million dollars per year from the heroin trade, beyond its activities in the smuggling of jade, gems, woods, and antiques.

The political facade of these groups has traditionally shielded their narcotics activities from the reach of law enforcement. Until approximately two years ago, sources advised the Subcommittee staff that the Thai government officially considered these groups to be political, rather than criminal, in nature. Thailand justified its refusal to move against these groups as necessary to preserve an effective "buffer" zone against revolutionary and communist-backed forces.

There has now been an apparent change in the attitude of the Thai government. There is now outstanding a Thai warrant for the arrest of Chang Chi-fu, leader of the Shan United Army and principal opium war lord in Thailand. The warrant has, however, been pending since July 10, 1980. Thai officials now openly support efforts to arrest Chang Chi-fu and to eliminate narcotics trafficking by the Shan United Army. By contrast, at an international conference in November, 1980, ranking Thai law enforcement officers denied any knowledge of the outstanding arrest warrant for Chang Chi-fu. Nevertheless, Thai officials told the Subcommittee staff that their policy has always been supportive of enforcement efforts against the Shan United Army and other trafficking groups.

The Thai government did undertake one operation against Chang Chi-fu and the Shan United Army. They dispatched a force of Border Patrol Police to Ban Hin Taek, the headquarters of the Shan United Army, to arrest Chang Chi-fu. The details of the operation were apparently leaked to Shan United Army sources. Upon arrivial at Ban Hin Taek the Thai forces found no trace of Chang Chi-fu, who had retreated to surrounding mountain areas. That episode underscores the extent of official corruption in Thailand, a problem which was repeatedly voiced to Subcommittee staff by Thai, Burmese, and American officials alike. One Thai law enforcement official stated that, of three hundred men under his direct command, he felt that he could trust only eight of them with sensitive law enforcement information.

The corruption problem is aggravated by insufficient salaries and funding for law enforcement personnel. An average Thai police lieutenant earns about 2,200 Baht (approximately 120 United States dollars), while a low ranking officer earns only eighteen to twenty dollars per month. Necessary expenses are even more inadequate. For example, a Thai policeman working undercover in the field is paid 18 Baht per diem for expenses (the equivalent of ninety cents in American money). Assume a narcotics suspect under surveillance stays at a moderate hotel in Bangkok. If the police officer purchases even a single Coca Cola while on surveillance, he will exhaust his entire per diem -- a Coke sells for 30 Baht. In order to sustain any kind of effective undercover narcotics works, Thai law enforcement routinely turns to the U. S. Drug Enforcement Administration office in Bangkok for expense and per diem funding. In such circumstances, it is hardly surprising that corruption routinely undercuts the success of operations such as the move into Ban Hin Taek.

In Thailand, Subcommittee staff had the opportunity to view Ban Hin Taek from the air. Situated in the hill country of northern Thailand, approximately eight kilometers from the Burmese border, the Shan United Army headquarters is a growing city, dwarfing the surrounding villages by comparison. Built on the narcotics profits of the Shan United Army, Ban Hin Taek boasts new housing developments, a hospital, two jails, and a radio intercept facility, capable of collecting Burmese army transmissions. Total population of the village is approximately 1,400, including 200 Thai citizens who are not direct Shan United Army dependents.

The city is clearly well armed and well protected. In Ban Hin Taek itself, there are 600 to 650 men armed with M-16 rifles. Another 50 men are equipped with 30 caliber machine guns. Additional rifles and bazookas are stored within the city. Three refineries are situated about eight kilometers from Ban Hin Taek. Those refineries are staffed by some 1,500 armed men who can cover the eight kilometer distance in about thirty minutes if necessary. Three hours from the city, in Doi Lang, a Shan United Army force of 450 is located. All these troops are well-led, well-trained, and well-armed.

With a total strength estimated to be near 5,000 armed men, the Shan United Army is, by any standard, a substantial military force. Both Thai and American authorities concurred that nothing less than a military effort by the Thai government could effectively halt narcotics activity by the Shan United Army. Furthermore, there are currently substantial impediments to that type of military action.

One major problem stems from the historical lack of cooperation and mistrust between the Thais and the Burmese. With the Shan United Army located so close to the Burmese border, it is obvious that they would avoid the full impact of any largescale Thai attack by a retreat into Burmese territory. Conversely, any action by Burmese authorities against Shan United Army refineries located in Burma, would be met by the hasty relocation of those refineries to Thai soil. Any effective long term solution to the problem must include the cooperation and coordination of efforts between Thai and Burmese authorities. Though relations have somewhat improved in recent years,there still exists today an absolute lack of any joint effort by the two countries to attack the heroin problem centered in and around their mutual border.

Both State Department and Drug Enforcement Administration personnel in Southeast Asia have consistently urged some type of joint enforcement activity by Thailand and Burma. Several possibilities short of joint enforcement operations exist. One alternative would be an agreement whereby the Thais would allow Burmese forces access to Thai roads for supply purposes. Given the current lack of roads in the Burmese refinery area, it is now nearly impossible for Burma to maintain a continual governmental presence in the area. With Thailand's help in reaching supply sources, the Burmese could, at the least, station some enforcement personnel in the area on a permanent basis.

While in Bangkok, Subcommittee staff had the opportunity to meet with General Saiyd, the Supreme Commander of the Thai Armed Forces, discussing with him the possibility of Thai-Burmese cooperation in narcotics law enforcement. The General expressed a willingness to work jointly with the Burmese in that regard, stating that Thailand would either allow the Burmese to attack the heroin refineries from the Thai side of the Border or participate in a joint Thai-Burmese enforcement operation against a "small target" in the heroin trade.

In addition to shortcomings in Thai-Burmese cooperation, a solution to the narcotics problem is further complicated by the presence of other, more imminent enforcement priorities for the Thai government. High ranking Thai officials believe that it would be "political suicide" for Thailand to open a military front against the Shan United Army, given present border problems with both Vietnam and Cambodia. Those countries and their threat to Thai domestic security, obviously demand first priority in the allocation of Thai enforcement resources. Most of the Thai Border Patrol Police are currently employed on the Laotian border for reasons of domestic security. Although those troops are officially charged with narcotics enforcement, their major responsibility remains terrorism and insurgency.

In light of those priorities, it is hardly surprising that Thai officials repeatedly told the Subcommittee staff that, if the United States sincerely desires Thai military action against the Shan United Army, there must be an accompanying agreement by the United States to back the Thais in that effort and in any resulting attacks on Thai domestic security. Any serious effort by Thailand will necessitate the use of substantial armed forces and a serious commitment by the central government. Before the Thais are willing to risk such a commitment, they want a guarantee of both moral and financial support from the United States. Moreover, that support must be lasting, or at the least sufficient to carry them through a prolonged struggle with the Shan United Army.

That demand for commitment is entirely consistent with a further complaint which is routinely voiced by Thai officials to American narcotics enforcement personnel. Although the Drug

Enforcement Administration consistently tells Thai officials that the United States is fully supportive of foreign narcotics enforcement, recent American budget restrictions on the presence of DEA abroad have seriously undercut the credibility of those statements in the eyes of Southeast Asian officials. Thai authorities repeatedly told the Subcommittee staff that they simply do not believe that the United States is "serious" about narcotics, given recent DEA budget cuts. Equally frustrating and incomprehensible to Southeast Asian authorities in Thailand and elsewhere are bail, parole, and sentencing policies in the United States. Thai authorities see judicial leniency to American drug offenders as further proof that the United States has little or no concern for narcotics enforcement. Moreover, talk of the proposed FBI-DEA merger has now reached Southeast Asia. Government and law enforcement officials in those countries see that merger not as a routine budget measure, but rather as a certain "downgrade" or elimination of DEA. Those factors, coupled with the budget-induced recall of DEA's Bangkok-based Southeast Asian Regional Director to Washington, have resulted in a Southeast Asian belief that the United States is not seriously concerned about the war against drugs, in Southeast Asia or elsewhere. Both Thai and American authorities conceded that Thai narcotics efforts in the past would have been largely nonexistent in the absence of American encouragement and support. In that context, Thai authorities have told the Subcommittee staff that they currently believe that they can no longer rely on the word of locally stationed DEA personnel, because "they are going back (to Washington) very soon." In the context of a country now literally flooded with marketable heroin, those statements clearly do not speak well for the future success of international narcotics enforcement.

BURMA

Burma is the major opium producer in the Golden Triangle. In 1981, Burma will produce a near record crop estimated at 600 metric tons. This is a significant increase over the approximately 150 metric tons produced in Burma in the drought-ridden 1979-1980 season.

In Burma, there are thousands of small pactches in which opium is grown by the hill tribes which inhabit the extremely rough terrain. For several hundred years, opium has been a vital source of income. Opium is also smoked by many of the villagers.

Agronomists have stated that opium is a hazardous crop to grow since the farmers practice "slash-and-burn" agriculture -- cutting down vegetation, burning it and utilizing the ashes for fertilizer. The field is used until the land is exhausted, thereby requiring the hill tribes to move their farmland to a new fertile site after the original one become less productive.

A significant portion of the mountainous areas that are on the northern and eastern border of Burma are outside the control of the Burmese Central Government. Known as the Shan State, this is the area where a majority of the opium is produced. The region is controlled by narcotics trafficking groups. In the later 19th Century, Great Britian included within the boundaries of its Burmese colony a number of Shan States and hill tribes which had never been under Burmese rule. These people are fearlessly independent. Nevertheless, in 1947, when Burma was granted independence, they agreed to become a part of the Union of Burma with the understanding that they would be guaranteed autonomy and home rule within their states. In 1962, however, General Ne Win overthrew the elected government of Burma, abolished the constitution and jailed a number of the Shan leaders. Since then, various private armies have been in a constant state of insurgency against the central government of General Ne Win. These insurgencies are primarily financed by the opium trade which provides money with which to purchase arms, ammunition, medical supplies, and the necessities of everyday life.

Burma emerged from the revolution of the 1960's as an officially socialist country. It maintains that ideology today, with some areas of the economy set aside for capitalist, free enterprise. Nevertheless, the Burmese government's most serious insurgent threat comes from the Burmese Communist Party (BCP), which controls the majority of the poppy growing areas in the Shan State. The BCP plays a variety of roles in the opium business in the Golden Triangle. These activities include encouraging poppy growing, brokering opium sales, and providing protection to opium caravans moving through its controlled territory east of the Salween River. The BCP's primary motivations have been to generate income and to placate hilltribe growers under its sway.

In the past, the BCP has received considerable support from the People's Republic of China. However, the Subcommittee staff was informed that this support had been declining during the past several years. As a result, the BCP is expected to play even a more active role in opium smuggling in order to finance its activities.

The BCP has a strength of 10,000 - 12,000 men. The Subcommittee staff was advised that the BCP is well armed with weapons such as .57 mm rifles, M-16 rifles, and HK-33 rifles. The group has now been placing plastic land mines in poppy growing areas. Unfortunately, since the majority of the poppy destruction is accomplished by police and soldiers going into the growing areas and pulling up the poppy plants by hand, several have been critically wounded by these land mines.

Despite the obvious difficulties in attempting manual opium eradication, the Burmese government has resisted suggestions that herbicidal spraying be used in the opium growing areas. Burmese government officials did visit Mexico in order to personally examine marijuana-spraying efforts in that country. They returned essentially unconvinced. The Burmese are fearful that spraying would harm not only opium, but other more important crops as well. This is particularly true given the interspersed planting patterns employed by Burmese farmers. Moreover, there are significant cultural and religious factors which militate against spraying. Burma is a strict Buddhist country, with Buddhist principles permeating all aspects of Burmese society. Based on a belief in reincarnation in all forms, Buddhist tenets prohibit the destruction of any form of life, be it animal or plant. Indiscriminate herbicidal spraying would be tantamount to near abandonment of basic Buddhist principles. Burmese officials, nevertheless, told the Subcommittee staff that they remained willing, at the least, to listen to suggestions for spraying.

The Communist Party in the Shan State has established itself by the use of small armies imposing their will on farmers. For the most part, Burma's opium is grown in those regions of the Shan State where the Communist Party is strong. In recent years, the Communists have recognized that economic necessity is more important than ideology. As a result, the Communist Party entered into more opium production and trafficking.

In addition to the BCP, other ethnic groups, like the Shan State Army and the Kachin Independence Army as well as smaller movements seeking autonomy for Karenni, Lahu, and Pa-O, have turned increasingly to narcotics trafficking to finance their activities. Some, like the Shan State Army, have become deeply involved in the drug trade. The Shan State Army, for example, is organized largely to promote opium production and sale. Other ethnic groups have developed specialization in the trade such as providing porters for numerous trafficking groups and providing security in the Doi Long area, a major opium refining center.

The majority of the narcotics trafficking and refining on the Burma side of the Thai-Burma border areas is in the hands of warlord armies. Most masquerade as ethnic insurgents, are well armed, and are organized along military lines. The rank and file soldiers may be Shan, Ahka, Lahu or Lisu, although most of their leaders are Chinese or Sino-Burmese. Their activities cover a broad range of illegal enterprises ranging from narcotics trafficking to smuggling of consumer goods into Burma.

The Shan United Army (SUA), characterized as being a warlord organization, is, as in Thailand, the most important trafficking organization. The SUA leader, Chang Chi-fu also goes by the Shan name of Khun Sa. This 3,500-man organization, outlawed by the Burmese Government in 1971, directs its Burmese activities from its headquarters in Ban Hin Taek.

Officials in Thailand and Burma stated that this group is not truly a Shan Army, nor in any way a political or ethnic insurgency. The SUA keeps its opium producers in line through fear and brutality. Recruiting methods are usually at gunpoint, and summary execution of deserters and their families are commonly used to control recalcitrant minority groups who may not wish to join in narcotics production and trafficking. The SUA's motivation is money and profit, not the goal of an independent Shan State.

The SUA controls the majority of the opium traffic to the Thai border. The traffickers work through middlemen and shipments are often planned months in advance and are heavily guarded. Staging areas, where the raw opium is collected, are usually in the eastern Shan State, and payment is made in both cash and black market goods. The Burmese economy is characterized by a large black market sector, given strict governmental control of currency flow.

Burma's officials are wary of the Thais since the SUA's headquarters is ten kilometers south of the Burma border in Thailand. They cannot understand how Chang Chi-fu could freely move in and out of Ban Hin Taek and not be arrested on the outstanding Thai warrant.

Burmese officials told the Subcommittee staff that if the Thais were serious about controlling the narcotics trafficking problem, they would promptly arrest Chaing Chi-Fu.

The SUA, better equipped than the BCP, is armed with M-16 automatic rifles and M-79 grenade launchers. Thai, Burmese and American officials said that any effort to expel the BCP and the SUA would have to be a military operation and substantial casualties would be suffered by both sides. Such an exercise could not be handled by police.

The majority of the heroin refineries are located in Burma a few kilometers from the Thai border. This allows the easy transfer of primitive refinery equipment and opium products into Thailand, should the need arise. At least 10 to 15 refineries are currently in operation on the Thai-Burma border. The equipment is easily dismantled. The chemicals necessary for the refining process are supplied from industiral sources in Thailand and Malaysia.

The government of Burma appears to give high priority to combatting the illegal drug problem. The drug strategy program is led by an Inter-Ministerial body known as the Central Committee for Drug Abuse Control (CCDAC). Its plans are carried out by government departments concerned with law enforcement, agricultural development and crop substitution, health, education, information and social welfare. In addition to activities carried out centrally, local government bodies at both the regional and local level are fully involved. Political and social organizations in all parts of the country play their part in the total effort.

New administrative measures were introduced in 1972, when the People's Police Force became the main narcotics law enforcement agency. In February 1974, the government promulgated new legislation, the Narcotics and Dangerous Drugs law, imposing a ban on cultivation of illicit narcotics plants and providing for compulsory registration and treatment of drug addicts as well as heavy penalties for illicit cultivation, manufacture, possession, trafficking and consumption of drugs. Drug addicts are encouraged to register. Once registered, they are required by law to undergo treatment. The use of methadone in those programs has been abandoned in favor of other withdrawal medication schemes based on less expensive, domestically manufactured drugs.

Burmese officials told the Subcommittee staff that the drug control program had been given the highest priority and was being aggressively implemented. The government was said to be making every effort to commit needed resources to drug enforcement. A close working relationship has developed between the People's Police Force and the Armed Forces. Officers of the People's Police Force have dual training -- police and army. This dual training enhances the government's resources when carrying out eradication efforts that require joint police and military operations.

Other programs undertaken by the government, such as agricultural and livestock development and crop substitution, have also had successes. Officials of the Burmese Government stated that poppy eradication can be regarded as the first step toward crop replacement. After that the farmers will need help to replace the poppy crop with subsistence crops and alternative cash crops.

The United Nations, under an agreement signed in 1976, is supporting a five-year development program in law enforcement, the introduction of substitute crops, treatment of drug addicts, rehabilitation of ex-addicts and projects aimed at the prevention of drug abuse by young people and the reduction of demand for both narcotic and psychotropic drugs.

The United Nations Fund for Drug Abuse Control (UNFDAC) in Burma appears to have been efficiently implemented and will help in the long run to reduce production and smuggling activities.

Since 1975 the United States has supported Burmese narcotics control efforts by providing helicopters and fixed-wing aircraft, communication equipment and associated training and equipment-maintenance support. Burmese officials were appreciative of the assistance they had received from the United States. The fixed-wing aircraft have been used in anti-narcotics operations and the helicopters are routinely used to spot poppy fields in isolated areas. They have also been used to transport those wounded soldiers who were injured during narcotics raids against various trafficking groups.

Unfortunately, the aircraft provided thus far to the Burmese are not sufficient in obtaining maximum effectiveness in an anti-narcotics program. What is needed in aircraft are C-130 personnel and equipment transports. Northern Burma is an area less physically accessible than the hill tribe villages of Thailand. There are no roads and no strategicially located air fields. American Embassy personnel in Rangoon urged that the United States provide Burma with financial assistance so that the nation can buy several C-130's.

If the Burmese had C-130's, they could airlift sufficient manpower and equipment into the areas where the refineries are located and keep a sustained presence on the Thai-Burma border. Presently, the Burmese side of the border is not subject to any effective law enforcement action and the trafficking groups, notably the Shan United Army, remain heavily armed and in control of the border. The groups controlling the refineries have freedom of movement and activity within the border area.

Providing C-130 aircraft would help eliminate the opium problem in the short run. Opium production, however, will likely resurface without continual government presence in that section of Burma. Officials recommend that the U. S. consider some sort of aid designed to assist the building of an effective road system into that portion of the country. There can be no long-term solution to the narcotics problem without some effective system of access to the opium-producing areas. As a beneficial by-product, a road system would enhance the development of that area and decrease its susceptibility to control by separatist groups, including the BCP.

The United States does not have a DEA office now operating in Rangoon. Instead, a political/economic officer handles narcotics coordination in the Embassy. The Subcommittee staff was told that this stems from a firm Burmese commitment to neutrality and economic and political independence. The Burmese feel that the presence of American law enforcement in Burma would publicly compromise that neutrality in the eyes of other nations.

The Subcommittee staff found that strong desire for independence and commitment to neutrality to be reflected everywhere in Burma. The Burmese have fiercely protected their Eastern culture and values, only recently easing entry requirements for visiting foreigners. In stark contrast to the bustle and commercialization of Bangkok, the streets of Rangoon bear little of the tell-tale signs of Westernization. The Burmese are committed to the progressive development of their country while maintaining the cultures and traditions of their past. Fortunately, part and parcel of that commitment is a determined effort by the Burmese government to halt the production and trafficking of opium and heroin in Burma.

MALAYSIA

Malaysia, while not an opium producer, suffers the heroin trade in two respects: as a conduit for trafficking chemicals into Thailand and heroin out of Thailand and as the home for a large addict population. The country is characterized by a significant ethnic split between a Muslim Malay majority (44 percent) and a Chinese minority (36 percent). In fact, that ethnic conflict gives added impetus to strong Malaysian narcotics enforcement policies.

While the Muslim Malays dominate Malaysian government, an active Chinese minority in fact operates the country's economic and business life. By analogy, the Malay youth constitute the great majority of a large addict population while the Chinese employ their business expertise to dominate the heroin trafficking trade through Malaysia.

Malaysian sources have estimated the domestic addict population to be as large as 400,000. Malaysian law enforcement authorities, by contrast, advised the Subcommittee staff that the figure is, realistically, closer to 100,000. It is believed that approximately 20 percent of all Malayisan males between the ages of 16 and 25 are heroin addicts. In any event, such a serious addict problem among the youth has resulted in strong government efforts to halt the flow of "dadah" (the Malaysian term for all forms of illegal drugs) throughout the country. Malaysia was the only Southeast Asian country visited by the Subcommittee staff where the eradication of heroin trafficking is a foremost priority for both government and law enforcement officials alike. Home Minister Ghazali Shafie has publicly identified the heroin problem as nothing less than a serious threat to Malaysian domestic security. The Home Minister strongly believes that the power of any government ultimately depends on its youth. Should Malaysian youth become addicted to drugs on a broad basis, the entire society will suffer.

Malaysian naroctics efforts center on three areas of activity: supply, demand, and treatment and rehabilitation. In a comprehensive effort to treat the whole scope of the drug problem, resources are devoted to programs in each of those areas.

Currently there are approximately 30,000 addicts enrolled in Malaysian treatment programs of some type. With Malaysian youth constituting approximately eighty percent of the addict population, drug treatment has become one of the highest priorities of the Malaysian government. In keeping with that policy, the number of preventive drug offices in Malaysia has been increased by over thirty percent. The Malaysians have invested considerable amount of time and effort in a registration program which includes the mandatory detoxification of suspected addicts. Their efforts in this area appear more extensive than anything which has been attempted in either Thailand or Burma. As to addict breakdown, in 1980, 93.67 percent were addicted to heroin, 3 percent to ganja, and 2 percent to various other drugs. Although some ganja is grown domestically in

Southern Malaysia, its usage has not reached the levels of heroin addiction within the country.

During the period 1975-1980, there were 31,407 drug arrests in Malaysia. In the northern area of the country, the Thai-Malaysian border is a recognized avenue for the importation of drugs, particularly heroin and morphine. The area is a near "no man's land" for smugglers, with little direct government control. On the Thai side of the border, there is little, if any, continuous governmental presence. To the contrary, the southern Thai border area is heavily populated with communist and Muslim terrorist groups. The bandits and terrorist groups which in fact control that area of southern Thailand are collectively referred to as the "Sankla." In addition to a working underground insurgent network, there is also a terrorist-controlled heroin laboratory operating. Authorities now believe that that refinery is largely responsible for the growing trafficking of heroin base into Hong Kong.

On the Malaysian side of the border, by contrast, there have been considerable governmental efforts to effectively halt the flow of drugs. Although there is no set and formalized boundary on the border, the Malaysian government has constructed twenty-five and one-half miles of twelve and one-half foot high barbed wire fence along the border. The fence extends up to the very edge of dense jungle areas for the express purpose of deterring the smuggling of both drugs and guns. In contrast, to the Thais, the Malaysians have stationed a Joint Border

Control Unit at the border, consisting of 820 men with combat equipment. The force recruits its personnel equally from the Malaysian customs, police, and immigration departments. Twenty-two watch towers have been erected on the border. Although these are not manned twenty-four hours per day, they are used as spot checks by armed patrol units.

In areas where there is at least a limited Thai presence on the border, the Malaysians and the Thais have a fairly good working relationship "on an officer to officer basis." Malaysian law enforcement does exchange narcotics information and intelligence with the Thai authorities on the border.

To the east, the Golok River separates Thailand and Malaysia. The river is extremely shallow, excepting the period of high water from mid-November through January (monsoon season), readily accommodating experienced drug traffickers. During most of the year, one can easily walk across the river to cross the border. In response, the Malaysian border police who are stationed in that area have orders to "shoot to kill" any and all smugglers.

Equally significant in the drug trade in Penang, an island separated by narrow straits from the rest of Malaysia. Authorities advised the Subcommittee staff that Penang has become a literal "sieve" for the trafficking of narcotics through Malaysia. It also serves as the main conduit for the trafficking of acetic anhydride into Thailand for use in refining heroin. In recognition of that fact, the Malaysian government has stressed enforcement efforts in that area. Malaysian customs now has one seventy-five foot and two sixty foot patrol boats stationed there, in addition to several smaller boats. Within the next year, Penang customs officials will be receiving six additional one hundred five foot crafts, which the Malaysian government recently purchased.

Narcotics smuggling also takes place on Malaysia's southern borders, particularly through Singapore. Malaysian law enforcement authorities likened Singapore to El Paso, Texas as a trafficking channel.

On another front, chemicals used in heroin refining have been coming into Malaysia from Taiwan. Although Malaysian businesses trade with Taiwan, the Malaysian government has no official diplomatic relations with that country. That fact has somewhat hampered Malaysian enforcement efforts in that area.

Malaysia itself serves as the principal channel for the importation of acetic anhydride into Thailand and subsequently Burma for use in producing heroin. Classified as a "poison" by the Malaysian Department of Pharmacy, acetic anhydride may be legally imported into Malaysia by anyone who possesses a government-issued Class A Chemical Permit. Most of the acetic anhydride found in Malaysia is produced in Europe, Japan, and Korea. The licensing system is not, however, foolproof. Large illegal shipments of the chemcial, if packaged and marked as other license-free chemicals, can and do enter Malaysia. This is facilitated by the fact that Malaysian customs authorities currently have no reliable means of positively identifying a substance as acetic anhydride. Malaysian law enforcement personnel voiced their need for suitable testing equipment in this area to the Subcommittee staff.

The exportation of acetic anhydride from Malaysia is presently free of governmental control and restriction. By contrast, since 1979 Thailand has legally categorized acetic anhydride as an illegal drug, with trafficking in that chemical resulting in imprisonment for terms up to ten years. Moreover, the Thai government has established "chemical-free zones" in both the northern and southern border areas of Thailand. Given the absence of equivalent Malaysian controls, the chemical is nevertheless routinely smuggled across the border into Thailand, usually in commercial vehicles carrying fifty-five gallon drums of the substance. Thai and Malaysian authorities have met on numerous occasions in recent months in an effort to reach a mutually acceptable solution to the problem of acetic anhydride.

Malaysian authorities justify their refusal to restrict exportation of acetic anhydride on the fact that the chemical is routinely used for a large number of legitimate commercial purposes in Malaysia. It is especially prevalent in both photography and textile bleaching. Given the extent of its legitimate usage in the country the Malaysian government feels that any further legal controls would be inappropriate.

The strong anti-drug policies of the Malaysian government are clearly reflected in both the statutory and judicial aspects of the Malaysian criminal justice system. Malaysian authorities who met with the Subcommittee staff were, without exception, extremely proud of their strong statutory support for narcotics enforcement. Malaysian law provides that possession of 100 grams of narcotics triggers an automatic legal presumption that an individual is engaged in trafficking. Moreover, the death penalty is available in both drug and firearms cases. At present the only sentences available for drug trafficking in Malaysia are life imprisonment and the death penalty. No parole is available until after imprisonment for twenty years. The Malaysians consider these "heavy" sentences particularly appropriate in drug cases.

In addition, Malaysia has made significant headway in the confiscation of property in drug cases. The Malaysian Constitution originally prohibited any deprivation of property without just compensation. That provision was amended to exempt the seizure of property in drug cases. Law enforcement can now seize property acquired as a result of illegal drug activities in both court and detention cases. The authority for seizure covers any type of property, including business interests, stocks, and bonds.

Malaysia, as well as Thailand, does not currently have a conspiracy offense available in the criminal law. Malaysian authorities do not believe that conspiracy is needed given the current Malaysian detention statute. That law permits the detention of individuals suspected of illegal activity short of indictment, trial and conviction. The statute provides for the detention and house arrest of known narcotics violators for a period of two years by administrative fiat alone. Under the sweeping authority of the statute, the government routinely relocates suspects without any avenue for redress or appeal to the judicial system. Thailand is now seriously considering enacting similar legislation. Thai authorities told the Subcommittee staff that a conspiracy law will be unnecessary if the detention statute is enacted asking "why bother to take defendants to trial if we can jail them for two years without it?"

As in Thailand, the Subcommittee staff was told time and again by Malaysian authorities that the sincerity of American narcotics efforts is in doubt given our lenient treatment of drug offenders, light sentencing and easy parole terms. This was in stark contrast to the Malaysian policy of strict enforcement of all criminal laws. Central to that policy is a strong and firm commitment to the narcotics effort by the Malaysian government.

HONG KONG

Hong Kong has long been considered the financial and economic marketing center of the East. As drug trafficking has boomed fiancially, Hong Kong has been suggested as a mushrooming financial hub for the narcotics trade. The Subcommittee staff visited this British Colony on the coast of China to explore the merits of that theory, the possibile status of Hong Kong as a physical conduit for drug trafficking into the United States, and the success of financial investigations of the flow of narcotics money through Hong Kong.

Hong Kong's role in the business of international narcotics has changed over the years. During 1973-1974, Hong Kong was a net exporter of heroin. Confronted by that fact, Hong Kong law enforcement focused on the narcotics trade, successfully breaking up a large syndicate of heroin trafficking in the early 1970's. Although there are currently some 30,000 to 50,000 heroin addicts residing within the colony, Hong Kong is no longer considered to be an exporter of heroin. Hong Kong suppliers import the drug into the colony, largely from Thailand.

Although Hong Kong was a popular transshipment point for drugs for many years, enforcement officials now believe that Hong Kong is no longer a major conduit for the physical trafficking of drugs from Southeast Asia into the United States and elsewhere. Surveillances of Hong Kong airport have been routinely maintained during the last few years. Few seizures of drugs being exported directly from Hong Kong have been made.

Nevertheless, authorities feel that some transshipment of drugs may still be going on in Hong Kong. In Europe, Chinese couriers are now being arrested on a daily basis. Recruitment of those couriers occurs regularly in Hong Kong. The couriers pick up the drugs in Thailand, subsequently employing all types of routes out of Bangkok. There have been several instances where there have been exchanges of the drugs between two or three sets of couriers. Generally, these traffickers avoid Hong Kong because of the excellent narcotics detection system in operation in the colony. Nevertheless, it is usually in Hong Kong that the couriers are recruited and initially embark on their task.

The responsibility for narcotics enforcement in Hong Kong rests with several authorities. Peter Lee, the current Commissioner of Narcotics, handles overall drug policy for the colony. Hong Kong Customs and the Hong Kong Police Department divide the task of operational enforcement between them. Those two agencies pursue essentially separate functions in the government's efforts against narcotics.

While the police focus on narcotics enforcement within the colony itself, Customs officials concentrate on the continual problem of policing Hong Kong's many ports of entry to prevent the importation of illegal narcotics. There are at least 106 open anchorages in Hong Kong harbor. In addition, the largely undeveloped hinterlands areas bordering on mainland China afford numerous potential smuggling channels.

Drug shipments into Hong Kong come mainly by way of ocean going vessels. Smaller quantities are imported by air, most recently highlighted by the increasing use of body cavity smuggling by drug couriers. Regarding avenues for importation, the most recent development has been the growing use of diversionary routes -- i.e., Bangkok to the Philippines and China and then to Hong Kong.

Ninety-nine percent of drugs entering Hong Kong come via Thailand. Although drugs enter the colony by various routes, most importation is handled through Chinese business and family ties in Thailand and elsewhere. The largest drug seizures in the colony have come in by way of Thai fishing trawlers. These boats routinely off load drugs in international waters around Hong Kong. In one instance last year, a Thai trawler and a Chinese junk met off Nine Pins, isolated islands off Hong Kong, to transfer a shipment of drugs. Discovering surveillance by authorities, the traffickers dumped nearly 150 kilos of narcotics into the surrounding waters.

Reflecting the presence of the "bumper" opium crop, Hong Kong has this year experienced an increase in the flow of drugs into the colony. From January through June, 1981, Hong Kong authorities had made seizures of 123 kilos of narcotics. To confront this problem, Hong Kong has developed a growing intelligence network on drugs with other nations. Enforcement officials now have regular contact with over forty countries on narcotics matters. More than 25 arrests have been made overseas as a result of intelligence furnished by Hong Kong authorities in areas such as Brussels, Paris, Thailand and the United States. In addition, Hong Kong law enforcement is now working to develop better expertise in the area of controlled delivery cases.

In the area of enforcement within the colony, Hong Kong authorities have shown a willingness to utilize a wide variety of different approaches, resulting in a multi-faceted attack on the narcotics problem. Though a British colony, much of Hong Kong law enforcement is handled by local Chinese, who have proven to be excellent administrators. Hong Kong law enforcement has enjoyed a good working relationship with locally stationed DEA personnel, particularly in the exchange of intelligence and advice on operational techniques.

Hong Kong has, in many areas, proven to be a leader in the employment of new legal and operational law enforcement techniques in Southeast Asia. In contrast to Thailand and Malaysia, the police in Hong Kong have successfully used conspiracy law against syndicates operating in the colony within the past few years. As a result, they have secured convictions in a number of cases without the actual seizure of drugs, a rarity in Southeast Asian narcotics enforcement. Well-respected in the Southeast Asian law enforcement community, the Hong Kong police have shared the fruits of their experience in this area with authorities in both Malaysia and Thailand.

Equally praiseworthy have been the efforts of Hong Kong authorities in the tracing of narcotics profits through various financial institutions. Given Hong Kong's longstanding tradition as a financial mecca, banks in the colony are run as professionally, if not more so, than banks in the United States. This is true despite the fact that no central system of regulation governs the Hong Kong banking community. The colony's business community has, traditionally, successfully resisted the enactment of any such legislation. In the context of Hong Kong's status as a booming financial center, money transactions are the foundation of the economic well-being of the entire colony. Consequently, Hong Kong has been very careful to enact only the most limited financial legislation and regulation.

Aside from the legitimate banking system, Hong Kong provides another avenue for the laundering of narcotics' money: the Chinese "underground" banking system. For centuries Hong Kong has been the center of a network of family run trading companies throughout the Southeast Asian region. Since the arrival of the first Western merchants, these companies have been used for the transfer of illegally obtained monies.

This underground system now provides essential services to narcotics traffickers operating out of Bangkok and elsewhere. Trading companies are sometimes set up by narcotics traffickers themselves for the express purpose of laundering narcotics profits. Authorities have established that fifteen out of the top twenty narcotics traffickers in Singapore are clients of a single underground "organization" for the laundering of money. The great majority of money filtered through this system is destined for Thailand.

Hong Kong authorities, in cooperation with DEA, have succeeded in monitoring some of this laundering activity, at least in the context of the legitimate banking system. In an investigation code-named "Operation Schoolboy," authorities were able to trace millions of dollars in narcotics profits in and out of Hong Kong on the basis of a single Hong Kong bank account number. Absent legal subpoena power, Hong Kong law currently authorizes the police to obtain warrants for the seizure of bank records in the colony. Using that authority, officials were able to conduct an investigation which eventually traced the flow of money from Malaysia and Singapore into Hong Kong and in turn into Thailand.

Unfortunately, that investigation has to date stopped short at the Thai border, as a result of the failure of Thai law enforcement to seriously pursue financial investigations. Some authorities feel that this stems from the fact that as much as 50 percent of the Thai economy is now dependent on drug money. As drugs leave Thailand in large amounts, equally significant amounts of money come back into the country, destined for major Thai traffickers. The underground network of trading companies centered in Hong Kong both insulates the process from law enforcement and facilitates the flow of money to the traffickers.

All of these transfers are in total violation of Thai law. Thailand has extremely strict currency laws which require government permission for the transfer of any money in or out of the country. Moreover, the Thai government consistently refuses to grant that permission. Despite evidence of these violations, Thai authorities largely refuse to do anything in this area. They appear to be overwhelmed by an accepted and pervasive system of money laundering. Only recently have they shown some willingness to seek out selected trading company records.

By comparison, Hong Kong authorities have been eager to pursue financial investigations despite the fact that the transfer of money through the underground system is, in contrast to Thailand, not in violation of Hong Kong law. In the transfer of narcotics money, Hong Kong serves as a sort of "corporate headquarters" for Southeast Asia -- decisions as to the transfer of money are made in Hong Kong and its financial network serves as the actual conduit for the money into other countries. The actual funds, however, do not stay in Hong Kong for the most part. In fact, narcotics money itself has really little or no influence on the Hong Kong economy inasmuch as so much of it quickly leaves the colony. Moreover, the flow of money in legitimate business is so huge in Hong Kong that narcotics money has little impact.

In October, 1980, a working conference on financial investigations was held through the joint efforts of Hong Kong authorities and DEA. Attended by representatives of the Netherlands, Singapore, Malaysia, Thailand, and Canada, the conference has generated growing interest in financial investigations in both Singapore and Malaysia. Malaysia has now enacted financial seizure legislation. Enforcement authorities believe that Singapore and Hong Kong will now seriously consider doing the same.

The United States does not currently have mutual assistance treaties with any of the Southeast Asian countries touched by the narcotics trade. Ideally, the enactment of such treaties, in part providing for foreign assistance in obtaining financial records, would be a tremendous asset in tracing narcotics money flow in the area. This seems particularly true in the case of Thailand, where in fact the best available law for financial investigations in Southeast Asia currently exists.

In 1959, Hong Hong was publicly reported to have a quarter of a million domestic addicts, the highest per capita addict population in the world. In response to that announcement, Hong Kong has now developed probably the most comprehensive drug education and rehabilitation program in all of Southeast Asia. It is a concentrated attempt by the Hong Kong government to balance supply-oriented interdiction efforts with equally strong demand-oriented educational efforts.

Historically, there has been an enormous amount of corruption in Hong Kong, centering in the areas of drugs, gambling and vice. For many years, corruption was the mainstay of Hong Kong's drug trade. To effectively attack that problem, the Hong Kong government in 1973 delegated the administration of a comprehensive drug program to an independent narcotics commission. The Commission stresses education and rehabilitation programs while police and customs authorities handle enforcement and interdiction efforts.

Prior to World War II, opium was legally available in Hong Kong through government channels. After the war, any drug-connected activity was made criminal. No provisions, however, were made for the treatment of drug addiction. The only outlet available for addicts was the use of private practitioners.

In the early 1950's, the Hong Kong government confronted the fact that 90 percent of the Hong Kong prison population were confirmed drug addicts. In response, Hong Kong prison authorities became the first governmental body in the colony to venture into a drug treatment program. In an investigation of the system, some twenty-one prison wardens were prosecuted for corruption vis a vis narcotics within Hong Kong prisons.

From those early efforts, the Hong Kong drug program has now grown into a thorough system of registration, treatment, and preventive education. Through practice, the Commission has found that the most effective method for treatment is a methadone outpatient program which is presently in operation. The government now estimates that the program has achieved the voluntary registration of 74 percent of Hong Kong's domestic addict population. At a cost to the government of approximately $8 a day per addict, Hong Kong authorities believe that the treatment program is unmistakeably a good investment for the community.

One of the most prominent features in the program has been the establishment of the "Central Registry of Drug Addicts." Essentially a computerized data gathering system, the Registry has maintained 124,000 records, covering the activities of 3,650 addicts from 1976 through 1980. Some 38 separate agencies contribute to the Registry's files, effectively outlining the nature of Hong Kong's addict population, as well as documenting government efforts to combat the addict problem.

The primary sources of drug abuse in Hong Kong is heroin, followed by opium. Heroin usage in Kong Kong takes three forms: (1) injection; (2) fume inhaling; and (3) smoking. Ninety-four percent of Hong Kong addicts are male, six percent female. Most addicts have their first contact with heroin during the ages 15 to 19. Drug usage is much heavier for women at the earlier ages, given that the female addict population is heaviest amongst prostitutes whose first contact with drugs occurs at very young ages. The average age for a Hong Kong addict is 21.

The Registy files indicate that seventy-seven percent of male addicts have no vocational training, while ninety-four percent of female addicts have no such training. Sixty-nine percent of male addicts and forty-one percent of female addicts have lawful employment. These figures are in sharp contrast to those available in the United States: ninety percent of addicts in the New York register are unemployed legally.

In Hong Kong only 2,000 out of a total of 36,000 of addicts on the register are women. Seventy-six percent of the addicts have from one to six years formal education -- fourteen percent have none at all.

The registry in Hong Kong is entirely voluntary. There is no guarantee of confidentiality but there is also no threat of criminal prosecution. From 1978 through 1980 there was a slight decrease in the percent of government resources devoted to treatment programs, with a slight rise in the amount devoted to enforcement programs. Presently 67.2 percent of the narcotics budget is devoted to enforcement, while 31 percent is devoted to treatment programs. The decrease in treatment funds is largely due to the impact of methadone treatment programs -- it is in fact the cheapest method of treatment.

The drug education program practiced in Hong Kong permeates several levels of social activity. The program's success in enlisting media participation is especially noteworthy. Every night there is an anti-drug commercial aired on television. In order to maintain their licenses, television stations are required to show public interest spots regularly. The Hong Kong television stations have been extremely cooperative in the drug education program. They voluntarily produced a $600,000 documentary film on drug prevention. By contrast, the Hong Kong Drug Commission's entire budget for drug prevention was only $300,000 per year.

Through the use of the Registry's addict profile Hong Kong has been able to glean a reliable "target" group for the drug program: low-income, poorly educated youth in the 15-20 age group. The Narcotics Commission has instituted a program of "drug volunteers" for young people. Recruiting volunteers from those age groups, they have set up a series of summer camps interspersed with lectures, films, etc., designed as training for drug volunteers. Last year over 200 young people attended these camps.

These drug volunteers include high school students, factory workers, and college students. After their training, they play important roles in the anti-drug campaigns which the Commission conducts each year. Last year, after the conclusion of the camps, the volunteers set up and manned stalls distributing anti-drug information. After the formal campaign, the Commission funded and organized district committees with the help of the volunteers. Two of those districts covered the new territories bordering mainland China.

As part of the anti-drug campagin, the Commission routinely sponsors an annual series of posters aimed at Hong Kong youth. Each year a different theme is used for the poster program -- this year's theme highlights the importance of fitness and good health.

Hong Kong's drug program has been designed to utilize other youth programs in the colony. Youth riots in 1966 underscored a general discontent amongst Hong Kong youth arising from a lack of availabe recreation. In response, the Hong Kong government made a concerted effort to expand available recreational facilities for youth, including pools, country parks, beaches, picnic areas, etc.

The summer drug program reaches approximately one million person each year in one way or another. The program benefits from a variety of contributing factors, including good law enforcement, educational programs, treatment programs, and the media cooperation.

Based on its activities, the Hong Kong drug commission has held meetings for both the U.N. and UNESCO on drug programs. Specifically, they have worked with the World Health Organization (WHO) on acquainting doctors with treatment and rehabilitation programs for addicts and with UNESCO on the development of educational seminars in the drug field.

Hong Kong authorities believe that in order to have a successful drug education program, one must maintain a consistently high level of interest, commitment and involvement by the government and the community. Pressures must be kept up in all aspects of the program. Hong Kong's Narcotics Commission serves to exert and induce constant pressures on all concerned to maintain an adequate drug program.

From all indications, Hong Kong has succeeded in generating a comprehensive and progressive drug education and treatment program. It serves as an important and necessary complement to narcotics enforcement and interdiction efforts within the colony.

CONCLUSION

This investigation produced a wealth of information concerning the flow of narcotics from Southeast Asia into the United States. The facts which we learned covered a wide variety of issues and will certainly generate an equally wide variety of viewpoints on those issues. What will remain undisputed is that there is not one easy solution to the narcotics problem. It is a serious and complex question which demands the continual attention and efforts of this Congress, the domestic and international law enforcement community, and the public. In shaping Congressional action in this area, we suggest that this Subcommittee should carefully consider the following:

1. Political and law enforcement interests have at times competed, if not conflicted, in the area of international narcotics. The United States cannot divorce domestic drug concerns from foreign policy considerations and hope to succeed in the war against international narcotics trafficking. There must be a unified and comprehensive American position as to both politics and enforcement in dealing with each of the producing and trafficking nations. The United States should, as part of its diplomatic policy, make it abundantly clear that it will deal substantially different with those countries who are unwilling to assist us in international narcotics enforcement.

2. As part of that unified stance, the United States should take measures to insure a singular purpose and the close coordination of efforts by American agencies vested with narcotics responsibility abroad. The questions of narcotics enforcement and intelligence abroad are currently handled by as many as three separate American agencies stationed in a single foreign nation: the State Department, the Drug Enforcement Administration, and the Central Intelligence Agency. As a result, there have been instances where our narcotics efforts have suffered as a result of lack of coordination and/or duplication of effort among agencies.

3. There is a widespread belief among foreign governments in producing and trafficking nations that the United States government and the American people are not sincerely committed to the war against drugs. That attitude has, to a great degree, resulted from a belief that the American criminal justice system is characterized by unreasonably lenient bail, sentencing, and parole policies towards narcotics offenders.

4. The belief that the United States is unconcerned about drugs has been bolstered by recent budget-induced cuts in the presence of American narcotics aid and personnel abroad. Moreover, foreign officials view proposals to merge DEA with the FBI as conclusive proof that American efforts against drugs are on the decline. Unless and until foreign governments again recognize an American commitment in this area, international narcotics enforcement will suffer.

5. There are two other recurring concerns which leads foreign officials to doubt the sincerity of American narcotics efforts. Foreign officials has strongly criticized American efforts to secure leniency for American drug offenders imprisoned overseas as well as the failure of the American military to become actively involved in narcotics enforcement. Presently Senator Nunn and other Senators have introduced legislation in both of those areas -- bail and sentencing as well as posse comitatus.

6. The international narcotics trade prospers through the laundering and transfer of narcotics profits via international financial channels. Joint international investigations of such transfers, if successful, can significantly decrease current economic incentives for narcotics trafficking. The United States should attempt to negotiate mutual assistance, extradition, and tax treaties with producing and trafficking nations in an effort to encourage and facilitate further financial tracing of narcotics profits and more effective narcotics efforts.

7. Burma, as the major opium producing nation in Southeast Asia, has now indicated a sincere determination to attack the opium problem, in the context of extremely limited resources. The United States should consider (1) securing some type of concessional financing by which the Burmese can obtain C-130 aircraft for use against opium production; and (2) the commitment of American aid, vis a vis financing and/or technical advice and assistance to Burma for the development of roads into the opium growing areas.

8. A major hindrance to narcotics enforcement in Southeast Asia has been the lack of cooperation between Thailand and Burma. The United States should make every effort to impress upon those governments the importance of their joint and coordinated efforts in the war against heroin trafficking.

9. Many of the legislative and law enforcement techniques which have proven so successful against narcotics in the United States have yet to be extensively employed in Southeast Asia. The State Department and DEA should pursue efforts to make available to Southeast Asian nations information and training in legislative and operational techniques employed in American narcotics enforcement.

10. The relatively free trade of acetic anhydride and other precursor chemicals used in the production of illegal drugs undoubtedly contributes to the success of international narcotics trade. The State Department should seek international agreements with those affected countries for restraints in the production and distribution of acetic anhydride and other precursor chemicals.

11. The United States should attempt to assist producer nations in finding a safe and effective method of drug eradication which is geared to that nation's specific problems.

12. In the context of the recent glut of Southeast Asian heroin and the potentially vast American market for that heroin, the increasing presence of and financial investment by the Japanese organized crime group, the Yakuza

in the United States is particularly alarming. That group now has perhaps the single greatest potential for developing major heroin networks into the United States from Southeast Asia. American law enforcement should work to develop a greater awareness of that group in an effort to monitor and prevent the possibility of future heroin trafficking by the Yakuza into the United States.

13. In the face of a large population of heroin addicts, the Hong Kong government has devoted considerable effort to the development of a comprehensive and effective program of voluntary addict registration, treatment and preventive drug education. Their program has been exemplary in this area. The United States, in its efforts to solve the problem of narcotics demand within this country, should closely consider the efforts and experience of the Hong Kong program.

PREPARED STATEMENT OF SENATOR HOWARD W. CANNON

Mr. Chairman, I want to thank you for giving me the opportunity to testify today. There is no doubt that the drug trafficking problem has reached epidemic proportions in this country and around the globe. A recent authoritative estimate indicated that the underground drug industry in this country generates annual retail sales in the vicinity of $100 billion. Drugs smuggled past our borders, whether by air, sea, or land, eventually find their way to every State in the Union. The widespread availability of these illegal substances threatens the welfare of our children and the security of our neighborhoods.

These hearings are an important means of focusing attention on the need for a well-coordinated plan to combat international drug trafficking. Illegal drug enterprises and organized crime distorts legitimate business operations, complicates our international relations, compromises our border security, and undermines our military readiness.

The flourishing trade in illegal drugs is also the source of much of the violent crime in America. Police officials and prosecutors believe the growth of violent crime in our major cities can be traced to the increased availability of cheap, pure heroin from Southeast Asia. The connection between heroin addiction and crime is illustrated by the finding in a recent study that 243 Baltimore addicts committed nearly 500,000 crimes in an 11-year period -- an average of more than 2,000 crimes per addict.

Today I would like to address the role of the U.S. Coast Guard in the drug enforcement effort. In addition, I will discuss some of the important features of the anticrime proposal of the Democratic Task Force on Crime, of which I am a member.

COAST GUARD DRUG INTERDICTION

The United States Coast Guard is a key element in the present effort to secure our borders against the flow of illegal substances. In 1979, 40 percent of all drugs seized by U.S. Federal agencies were attributed to the Coast Guard. The street value of drugs seized by its units in calendar years 1979 and 1980 exceeded $1.9 billion each year.

I have observed the Coast Guard closely during the last three Congresses, as Commerce Committee Chairman for three years and this year as ranking Democrat. In light of this experience, I would like to stress a few points of great concern to me that your committee should consider. First, the Coast Guard is suffering from years of underfunding. Second, the organization's multimission character enables the taxpayer to gain multiple benefits from its efforts. And third, it must seek ways to join with other agencies on a regular basis to enhance its performance.

Mr. Chairman, the underfunding problem threatens to undermine Coast Guard activities all over the country. As the Senate-passed authorization bill recognizes, operating expenses should be funded at no less than $1,403 million and acquisition, construction, and improvement at $537 million. The overworked and aged physical plant drives up maintenance and fuel costs and imperils the Coast Guard's operational capacity. Only five years ago, one day of fleet maintenance was required for every day of operation. Now the maintenance time has doubled, demanding two days in the yard for every day at sea.

The impact of the deteriorated hardware of the Coast Guard is readily seen in the drug enforcement arena. Well-financed smugglers use radio scanners, the latest electronic equipment, and spotter aircraft to elude U.S. interdiction patrols. The Coast Guard, on the other hand, is compelled to rely on outdated equipment for which spare parts are scarce. This has meant that sophisticated smuggling activities can proceed without interference during cover of darkness. The booming maritime commerce in illegal drugs has made it all the more imperative that the Coast Guard be provided with better equipment. A measure of this boom can be seen by the fact that the Coast Guard seized less than 50,000 pounds of marijuana a year prior to 1975 and by 1978 the annual seizure level had reached over 3 million pounds. That is a sixty-fold increase in four years.

Included among the Coast Guard's other responsibilities are such duties as search and rescue of mariners and aviators at sea, enforcement of laws controlling foreign fishing in the U.S. fishery conservation zone, and vessel traffic control. The task of carrying out its many and varied responsibilities has mushroomed with the growth of the population, the development of coastal areas, and the flood of Haitian and Cuban refugees into our waters, in addition to the rapidly growing maritime drug trade.

The advantage of the multimission strategy is that assets can be deployed according to the specific needs of each region. For example, fishery law enforcement is given much greater emphasis in the waters off Alaska where foreign fishing is heavier than in the Gulf and South Atlantic area where drug smuggling and refugee migrations are paramount. In addition, District Commanders have the freedom to redirect their assets when events require it. An illustration of the value of the multimission approach can be seen in the interception of two drug bearing motherships by the high endurance cutter HAMILTON in the first weeks of this fall's Haitian interdiction program. The HAMILTON's principal duty at the time was to locate Haitian refugees, but its flexible operating plan permitted it to seize 45,000 pounds of marijuana in the process.

In my view, the fiscal year 1982 budget we authorized was essentially the bare minimum. To improve our maritime drug interdiction, we must stress better ways to use all available Federal assets. In this year's Defense Department authorization bill we are taking one step in the right direction, eliminating so-called "Posse Comitatus" restrictions on the participation of the Defense Department agencies in civilian law enforcement. Our Army, Navy, and Air Force has vast intelligence and communications networks that can be used for the benefit of the drug enforcement effort, and it will be good to see the longstanding restrictions lifted for this purpose.

Further, I look forward to increased emphasis on coordinated interagency operations. Operation Grouper, completed earlier in the year, entailed close cooperation between the Coast Guard, the Customs Service, the Drug Enforcement Administration, and over a dozen other Federal, state and local agencies. During the 22 months of this undercover investigation, over 1 million pounds of marijuana were seized and over 50 of the highest level members of major trafficking organizations were apprehended. The Coast Guard was a key player in Operation Grouper, seizing 30 different vessels and their contraband cargo. Clearly, a concentrated operation of this kind has the best prospect of catching the leaders of smuggling rings.

In summary, there are certain matters we in Congress should bear in mind in addressing the Coast Guard drug interdiction program. We should recognize the value of having a "cop on the beat" to discourage criminal activity. But we should also approve operating and capital budgets that will allow the Coast Guard to achieve a higher interdiction rate than its present 18 percent maximum. Finally, we must encourage and facilitate interagency operations that can make interdiction more efficient and effective. Together with bail reform, the diligent prosecution of offenders, and other crime prevention measures, these actions should help to strengthen our last line of defense in the maritime war on drugs.

ANTICRIME PROGRAM

Reform of our criminal laws should, in my view, be a top legislative priority. That is why I joined the Democratic Task Force on Crime, which has developed a proposal for dealing aggressively with the escalation of violent crime in this country. The package was announced in June and includes provisions affecting narcotics controls, bail reform, organized crime, prison-sentencing procedures, arson, and providing stiffer penalties for any attempted assassination of our nation's leaders.

At this point, let me focus on the aspects of the anticrime package that address the drug problem. As I have mentioned earlier, bail reform is a crucial element in deterring drug violators. The profits in illegal trafficking are enormous and any major offender can be expected to be able to acquire the money needed for bail of virtually any level. A report several months ago by the Attorney General indicated that some 2,900 drug dealers had jumped bail after their arrest and were still at large. In a few instances the fugitive dealers had posted bail as high as $1 million. Thus we have proposed that the federal courts be given the ability to detain accused persons for whom monetary bail is not a barrier to flight from prosecution, and to consider danger to the community in setting bail conditions.

In the specific context of the maritime drug enforcement program, I have already stressed the importance of interagency coordination. One of the principal proposals of the Democratic Task Force is aimed at improving the overall coordination effort through a newly-created Cabinet-level post, a Director of Narcotics Operations and Policy. This official would direct all U.S. policy, resources, and operations relating to the illegal drug problem. The official's responsibilities would include authority over budget priorities and allocations among the agencies involved and the power to resolve interagency conflicts.

The Task Force agrees with this committee's concern over the need to bring about greater international cooperation in fighting the illegal drug trade. Clearly the most efficient way to wage war on drugs is to attack the problem at its source. Only with effective international cooperation can we hope to eradicate the bulk of the marijuana and opium where it is grown. Our legislative package also calls for Mutual Assistance Narcotics Enforcement Treaties with nations whose banking systems are being used as financial havens for drug traffickers.

Our Task Force package proposes as well a few enforcement provisions to broaden and strengthen the law in specific areas. For example, we have advocated making it a federal offense to rob controlled substances from licensed pharmacies. And we have urged increased penalties for piloting an airplane employed in narcotic smuggling.

Mr. Chairman, I again commend you for your committee's work in helping to identify the sources and scope of our drug problem. It will not go away soon, but the Congress has an obligation to develop new solutions before the problem becomes even more alarming. I believe adoption of the Democratic Task Force package and approval of adequate budgets for our law enforcement agencies will take us a long way toward meeting that obligation.

PREPARED STATEMENT OF HOWARD L. SHAPIRO, STAFF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. Chairman and Members of the Subcommittee:

I would like to convey some of the significant information and impressions which Chief Counsel Weiland and I gathered during a trip to South America in early September. Over a period of two weeks we visited Jamaica, Colombia, Peru, and Brazil. While in these countries we were briefed by DEA and Department of State personnel, spoke to host government diplomatic and law enforcement personnel, and visited narcotics growing and smuggling areas. Our basic purposes in making this trip were to acquire first-hand knowledge of the "supply-side" efforts being undertaken for marijuana and cocaine, or the lack of such efforts, and to convey to foreign nationals the importance ascribed to the issue by the Subcommittee.

While each narcotics source country presents unique circumstances to some degree, similarities are apparent. Lack of resources and manpower to combat drug trafficking is a constant problem which is compounded by various degrees of official corruption generated by huge narcotics profits. Concerns over internal political stability color overseas anti-narcotic efforts, as do the economic realities of lesser-developed nations where drug profits may be sorely needed avenues of foreign exchange. Doubt and skepticism over U.S. drug policies and commitments cloud both unilateral and bilateral efforts. The traditional and non-traditional acceptance of some drug use in source countries hinders anti-narcotics efforts. In short, the obstacles to combatting drug trafficking at the supply level are many. There are no easy solutions and perhaps no solutions at all.

COLOMBIA

As previously mentioned the most visible of all the South American drug countries is Colombia.[1/] Not surprisingly, the attitude of the Colombian government and society towards anti-narcotics efforts is complex and this became most apparent to us during a discussion with Dr. Rodolfo Garcia-Ordonez. Dr. Garcia is currently sitting on Colombia's Superior Court and was formerly head of the Judicial Police narcotics unit.[2/] If Colombia adopts a proposed plan to consolidate all law enforcement activities under one office (Fiscalia General) Dr. Garcia is considered a leading candidate to head this office.

Dr. Garcia stressed to us that Colombia's position as the major drug country in South America is merely a geographical accident, the result of being situated between the U.S. market and the rest of South America, thus making it a natural transit point for cocaine. In addition, parts of the country provide a perfect terrain and climate for the cultivation of marijuana. (However, this may not explain why Colombia is the major processing and transit point for quaaludes, with the precursor methaqualone powder coming from Eastern Europe, nor why Colombians are heavily involved in trafficking cocaine from Peru and Bolivia through Brazil.) Dr. Garcia told us that Colombia will not be embarrassed by allegations of a poor international image due to narcotics. Rather, he said, Colombia is quite proud of the steps they have taken to combat drug trafficking despite limited resources and other domestic problems which must be faced.

Exactly what has Colombia done? Their most visible effort has been in marijuana interdiction through the deployment of National Guard narcotics units in the Guajira Peninsula.[3/] This effort began in late 1980 and multi-ton seizures of marijuana and comparable seizures of quaaludes have occurred frequently. Colombian authorities claim a 237% increase in marijuana seized in the first six months of 1981 compared to 1980, and a 266% increase for methaqualone. The seizures are followed by destruction of the drugs.[4/]

But despite these successes it is doubtful if the total volume of marijuana being exported from Colombia is being meaningfully decreased. U.S. officials in Bogota told us that even using a low estimate of total marijuana production the seizure rate is probably 10-15%. Further, National Police operations in the Guajira may soon peak in their effectiveness if financial support decreases and local resistance increases. Seizures have meant little since the major traffickers cannot be caught and put out of business. In Colombia these "narco-trafficantes" are basically untouchable due to official corruption, judicial intimidation, lack of enforcement resources, or otherwise.[5]

This inadequate enforcement situation leads to the inevitable question of marijuana eradication, but the impediments to this appear to be myriad. Dr. Garcia made clear to us that funding for marijuana eradication would have to come completely from the U.S.[6] To do this, the Percy Amendment (P.L. 95-384), which prohibits U.S. funding for herbicidal spraying, must be repealed. The Senate has taken this action. But even if Congressional restrictions and funding problems are resolved other obstacles exist.

Dr. Garcia made it quite clear to us that any Colombian commitment to eradicate marijuana must be accompanied by a U.S. commitment to eradicate its domestic marijuana cultivation, which is gaining a larger and larger share of the U.S. drug market. The Colombians perceive that there are no U.S. domestic eradication programs, and until recently this perception would have been true. Even now very little domestic eradication is taking place, but some is, and later this morning the Subcommittee will receive testimony concerning these efforts.

Dr. Garcia's argument for reciprocal eradication was only part of his skepticism as to the U.S. anti-marijuana commitment. He wanted to know why a number of states have decriminalized marijuana and whether this will become a national trend? He wanted to know why marijuana traffickers receive lenient sentences, if any, when caught and convicted in the U.S?

Dr. Garcia's justification for these inquiries, and in particular reciprocal eradication, was the obvious one of fair play. But in speaking to U.S. personnel in Colombia a sense of economic protectionism by Colombia towards marijuana exports became evident. Many individuals in Colombia are convinced that the U.S. wants to have Colombian marijuana sprayed (without spraying U.S. plants) merely to create less competition and higher prices for the U.S. growers, and less profit for Colombians, albeit illicit.

This quasi-protectionist attitude regarding drugs also arose in discussions with other South American government officials, who indicated that Colombia's multi-lateral cooperation in the narcotics arena has not been strong. In Colombia this economically oriented perspective is directly espoused by some who believe that marijuana and other narcotics exports should be legitimized and controlled by the government so as to increase government revenues. It is believed that marijuana export revenues now surpass coffee revenues in Colombia.

Dr. Garcia also brought the protectionist concept up when speaking of the farmers who grow marijuana in the Guajira for sale to the traffickers. What, asked Dr. Garcia, would happen to these poor "campesinos" if their fields are eradicated? What would they do for income?

This argument was downplayed by Cesar Bernal, head of the State Department Narcotics Assistance Unit in Bogota, since the number of farmers growing marijuana is quite small compared to the total number of farmers in Colombia. Nevertheless, the importance of post-eradication assistance should not be understated in any source country. The major expenditures for eradication efforts for either marijuana or cocaine may inevitably be for crop substitution and farmer education programs rather than for the actual eradication, although even this is an expensive undertaking.

An additional factor in the politics of marijuana in Colombia is the presidential election scheduled for May, 1982. The current president, Julio Cesar Turbay-Ayala, cannot succeed himself. President Turbay has publicly taken a strong anti-narcotics stand, but this may change, perhaps radically, with a new administration. Eradication and other narcotics assistance discussions may have to start from scratch. At least one presidential candidate is supported by a research organization strongly espousing the legalization of marijuana.[7] Clearly, a move in this direction would doom all efforts to suppress exports. Ambassador Boyatt can elaborate on the politics of marijuana in Colombia during his upcoming testimony.

Interdicting marijuana at the Colombian shoreline is extremely difficult. With the assistance of a Colombian Army pilot we were able to fly over the northern coast of Colombia from Barranquilla to Riohacha. What one sees is miles of coastline and a highway conveniently running parallel for most of the distance, thus allowing traffickers to move marijuana by vehicle to any of innumerable shoreline locations and subsequently to the motherships. The loading is done at night and we were told by our pilot that a mothership can be completely loaded in one hour using 80 men and canoes to take the load from shore to ship. Further inland over the Guajira we were able to see a number of clandestine airstrips, some rudimentary and others quite long and wide.[8]

Efforts at cocaine interdiction in Colombia are mainly aimed at the discovery and seizure of processing labs. Success is sporadic, as labs can be packed up and moved to a new location very easily.[9] Joint eradication efforts in the coca fields that have existed in the Cauca region in southwest Colombia have taken place this year.[10] We were told that the first eradication effort caught growers by surprise and the police were able to cut the plants with chainsaws and spray the exposed stumps with a low dosage herbicide. However, a subsequent operation was met by a large crowd and some resistance. Officials also fear the development of coca cultivation in the llanos (eastern plains) region and have begun eradication efforts there.[11]

PERU

Nevertheless, Colombian coca traffickers primarily rely on Peruvian and Bolivian cultivation to supply coca paste and base.[12] In Peru we visited Tingo Maria, a town in the central part of the country which has been a center of coca cultivation and trafficking. Thus, it has been a focal point for several anti-narcotics projects. AID has planned a major bilateral crop substitution program in the Upper Huallega Valley which will be discussed later today.

The Guardia Civil, one of Peru's two basic law enforcement agencies, has assigned a patrol to Tingo Maria to interdict trafficking through seizures of coca leaves and paste, destruction of coca leaf drying operations, and the occasional burning of coca fields.[13/]

Heading this patrol is Commandante Julio Cano Delgado. His command is beset with insufficient manpower, equipment, and housing as well as corruptible officers and sporadic local resistance. One example of the latter is this trap gun which has been brought up from Tingo Maria. Commandante Cano also complained to us that corrupt judges and prosecutors constantly dismiss cases against traffickers.

Nevertheless, Commandante Cano's presence has had an effect, as major traffickers have left the Tingo Maria area for the Cuzco area farther south. Much of the coca paste derived from the leaves is shipped by river to Iquitos, Peru, and Leticia, a Colombian city near the merger of the Colombian, Peruvian, and Brazilian borders. From here the paste can be flown to processing labs in Bogota, Medellin, Cali, and elsewhere in Colombia, or moved down the Amazon River to Brazilian processing labs. Enforcement presence in this region is minimal although seizure missions are sporadically undertaken.

In Peru, as well as Bolivia, Indians have traditionally chewed coca leaves for a variety of reasons.[14/] Hence, total eradication is out of the question. Lt. General Humberto Catter-Arrendo, Director Superior of the Guardia Civil, told us that it is very hard to change the perception of the farmers towards coca. He said the farmers must be made to understand the dangers of coca to them and the problems created for others by its cultivation. The farmers say other crops are not as profitable.[15]

The Peruvian government has attempted to control a licit coca market through the creation of a government agency, ENACO.[16] In theory farmers may register certain acreage for the licit cultivation of coca. Licit leaves are bought by ENACO for pharmaceutical resale and domestic use. Any other coca cultivation is illegal. However, enforcement of the ENACO system is very difficult. In Tingo Maria we visited one structure used for drying coca leaves and inside found a stolen or bought pad of ENACO registry sheets, each with the proper ENACO stamp. If the Guardia Civil were to inquire about this individual's coca cultivation he could take one of the sheets, fill it in, and have an ENACO-registered field.[17] Or he could try to pay the Guardia Civil officer and not have to worry about forgery. Regardless, ENACO's prices cannot compete with illicit traffickers. Commandante Cano told us that the traffickers were offering five times as much as ENACO per kilo of coca leaves.

In Peru as in other countries we visited, U.S. anti-narcotics desires do not always coincide with foreign government priorities. In Lima Lt. General Eduardo Ipinze-Rebatta, Director Superior of the Peruvian Investigative Police (the second law enforcement agency), told us that his agency's number one priority was combatting internal terrorist activities, and coca interdiction would have to take a definite back seat. In Peru limited enforcement resources may mean that a back seat is no seat, unless additional U.S. narcotics assistance is forthcoming.

In fact, an increase in terrorist activities had just begun when we visited Peru. The U.S. Embassy in Lima was bombed a few days before we arrived and the homes and offices of various Peruvian and U.S. officials and multi-national corporations have been recent bombing targets. Ten such sites were hit the day before we departed. Officials in Peru, Colombia, and Jamaica all acknowledged to us a possible link between drug traffickers and terrorist groups but they said they lack any "hard" evidence of such. The deleterious effects of trafficker-terrorist linkage is clear and somewhat frightening. Traffickers have lots of money and money can buy arms. Terrorists can provide added resistance for eradication and enforcement efforts. Ambassador Corr and Lt. General Balaguer may be able to offer further information on this area during their upcoming testimony.

BRAZIL

We also spent two days in Brasilia talking to U.S. personnel and Brazilian officials. Quite obviously the situation with respect to drug trafficking is radically different in Brazil. It is not currently a major source country but Brazil has a huge potential to be a major supplier, not only through its continuing use as a processing and transshipment point for Bolivian cocaine, but also through its own marijuana and coca cultivation. Brazil's immense size (larger than the 48 contiguous states), with large expanses of undeveloped and hard to reach land, create enormous concern. The current preoccupation of Brazilian officials, however, is a growing domestic drug use problem.

Marijuana poses the biggest use problem in Brazil, even though there are stiff marijuana penalties. Domestic production mainly occurs in seven northeastern states. DEA's Special Agent in Charge in Brasilia estimated that 70% of this marijuana is exported, although he was not sure of its destination, and 30% is consumed domestically, mostly in the growing areas. This was disputed during an interview with Dr. Helio Ramao, Central Police Coordinator for the Brazilian Federal Police. Dr. Ramao asserted that no Brazilian grown marijuana is exported.

We were also told that marijuana users in the Rio de Janeiro and Sao Paolo areas are more likely to get their marijuana from Paraguay, which is producing marijuana with an extremely high THC content (7% compared to 3% for northeastern marijuana).

Cocaine is the second most popular drug in Brazil and its use is increasing tremendously. Almost all coke comes from Bolivia, for domestic use, processing, and/or transshipment. But some coca cultivation has begun in the northwestern Amazon regions of Brazil. An intelligence team confirmed this during a visit to the region in January, 1980. No law enforcement personnel have been back since and we were told that it is an eight day trip from Brasilia by plane, boat, mule, and foot. This sort of inaccessibility makes this a perfect location for Colombian coke traffickers and the potential volumes are great.

Brazil is also a major source of the ether and acetone which is used to process coca. This, of course, is one reason for its desirability as a transshipment point. We were told that one small town on the Brazil/Bolivia border, population 40,000, is buying more either and acetone than all residents of Rio de Janeiro, population greater than 5 million. Dr. Hugo Povoa, Chief of the BFP Narcotics Division, told us about a program to monitor shipments of these chemicals and check on their intended use. This crackdown is becoming more effective as it continues and is forcing traffickers to find innovative ways to get the chemicals to Bolivia. Dr. Povoa added that the BFP is working with DEA on the importation of these chemicals from other countries.

As is the case elsewhere in South America the biggest problem in combatting narcotics is funding. The BFP have insufficient equipment (radios, specialized vehicles for rugged terrain, surveillance equipment, etc.) and the future is bleak due to inflation and government restrictions on overall spending. More specialized personnel are also needed. Dr. Povoa said that the BFP has not as yet lacked the means to combat drugs but there was a great concern for the future.

The future of bilateral efforts is uncertain. Brazil is very conscious of maintaining a posture of independence from the U. S. and has not accepted U. S. assistance of any sort since 1976. A narcotics assistance agreement is now being negotiated between

Brazil and the INM for $200,000 this year and $500,000 next year, mainly for equipment, but during an interview with Ambassador Jose DeSilveira of the Ministry of Foreign Affairs it was made clear that Brazil is quite reluctant to sign the agreement even though the assistance would be most useful for the BFP.

The BFP has undertaken several marijuana eradication projects which were described to us by Dr. Ramao. They begin with an identification of fields by the BFP. The growers and traffickers themselves are then required to pull out the plants. If the field is large tractors are requisitioned.

Brazil has also taken the lead role in forming an organization composed of South American nations which is designed to combat drug trafficking through regional solutions, although it is still in its infancy. Brazilian officials are quite reluctant to criticize other South American source nations, as they seem unwilling to endanger any trade agreements or other economic deals.

Domestically a National Drug Council was set up last year to develop national policy and its purpose and goals were explained to us by Dr. Arthur Castelho Neto, President of the Council as well as Secretary General of the Ministry of Justice. Like others Dr. Neto was very curious as to the U.S. position on marijuana.

It should be clear that the United States, in its desire to decrease narcotics supply, cannot snap its bureaucratic finger and expect immediate or even long-range results. Many foreign officials and nationals believe that the U.S. drug problem is just that -- a U.S. problem. This raises the issue of leverage. Should the U.S. predicate general foreign assistance, diplomatic and trade agreements, etc., upon the success of source country anti-narcotics efforts?[18/]

Bolivia and Jamaica offer opposite examples of this carrot and stick argument. Bolivia has become the most extreme example of narcotics trafficking pervading the politics and economics of an entire nation, and the U.S. responded to this fact and other Bolivian actions by cutting off foreign assistance and recalling Embassy personnel. Jamaica has become a key exporter of marijuana but a strong U.S. position designed to halt these exports is currently difficult if not impossible due to Jamaica's overall economic and political state.

BOLIVIA

We had hoped to visit Bolivia during our trip but were advised that safety considerations weighed against a visit. We were able to speak to several DEA agents stationed in Brazil and Peru who had recently spent time in Bolivia. Their assessment was gloomy but they did hold out a ray of hope that the situation can be improved.

It should be kept in mind that Bolivia has never distinguished itself in terms of political stability. In 156 years of independence almost 200 different governments have ruled Bolivia. In July, 1980, the takeover of the military regime of General Luis Garcia-Meza signalled the total involvement of the government in coca trafficking, and all law enforcement efforts disintegrated. This event contributed to a general international isolation of Bolivia.

We were told that before the Garcia-Meza takeover the Bolivian drug situation was similar to Peru, with insufficient resources but at least some attempt at interdiction, agricultural projects, etc. DEA worked with the main Bolivian law enforcement agency, the DNSP. But Garcia-Meza changed this completely.

This spring Garcia-Meza stepped down as the President of Bolivia, placing the government in the hands of a three-man junta. In early September the junta dissolved and one of its members, General Celso Torrelio-Villa, became the sole leader. The DEA agents told us that General Torrelio has indicated a willingness to fight narcotics trafficking and has no previous reputation for corruption. U.S. efforts to get the government to crack down on trafficking are continuing but so far have not been as successful as hoped. Later this morning we will hear testimony from Steven Block from the Department of State concerning Bolivia.

Most coca paste from Bolivia is flown out of Santa Cruz and La Paz to Colombia and Brazil. Some is taken out by river or overland. Although the U. S. may be willing to loosen the restrictions it has placed on Bolivian assistance and diplomatic relations, it seems clear that narcotics trafficking will remain a key element in any negotiations. This should be contrasted with U.S.-Jamaican relations which, although strained by continuing marijuana exports, are characterized by a U.S. position which is much more sympathetic.

JAMAICA

We spent three days in Kingston, Jamaica to examine the use and export of ganja (marijuana). In addition to State Department and DEA personnel we met with representatives of the Jamaica Constabulary Force, Jamaica Defense Force, and Winston Spaulding, Minister of National Security and Minister of Justice.

We found a country beset by severe economic difficulties and a relatively new government which is still trying to establish itself.[19/] We also found the issue of ganja use and trafficking hotly debated, inextricably intertwined with politics and economics, and connected with groups such as the Ethiopian Zion Coptic Church and the Rastafarians.

Part of the problem in Jamaica is the traditional use and acceptance of ganja, which has gone on for hundreds of years. The smoking of ganja is commonplace, as is the drinking of ganja tea and the use of other ganja-based products.[20/] Cultivation in the Jamaican hills is easy and more profitable than any other crop. It is also facilitated by the urgings of the Ethiopian Zion Coptic Church, a trafficking organization disguised as a religious organization, and the source of major concern within the Jamaican government as well as U.S. law enforcement circles.[21/] Yet possession of ganja remains a criminal offense in Jamaica.

The Coptics have replaced the government as the provider of social services for many rural Jamaicans. If a farmer has an ill child the Coptics will provide a doctor. If he needs a replacement part for his tractor the Coptics will get it. If he needs a buyer for his ganja the Coptics are there, even though in most areas the Coptics own their own land and grow their own ganja. The government's social services cannot compete with the Coptics. As a result of their trafficking activities the Coptics have become the second largest Jamaican land owner (behind the government), they have bought into a number of legitimate businesses, they have bought land in at least five states in the U.S. as well as Colombia, and they have become a strong political force in Jamaica although content to operate outside normal political channels. While some lower level Coptics have been arrested for trafficking the top echelon seems protected.

To a lesser extent the government must deal with the Rastafarians, who also regard ganja as a religious sacrament (the "weed of wisdom") although they are not involved in trafficking as the Coptics are.

Therefore, it is not surprising that many Jamaicans condone ganja use and/or favor legalization. Similarly, many Jamaicans favor government nonintervention and a freeing up of the ganja export business. A July, 1981 newspaper poll found 62% of the populace opposed to government steps to reduce the ganja trade to the U. S. This sentiment most likely indicates rot only the traditional acceptance of ganja but also the realization that ganja export revenues to the U.S. have become, dur'ng Jamaica's current economic difficulties, a needed source of foreign exchange. We were told that ganja revenues in 1980 were approximately $1 billion, and that 20% ($200 million) was returned to Jamaica. Minister Spaulding told us that this was a "significant" amount in terms of the Jamaican economy.

While Prime Minister Edward Seaga's administration has announced its commitment to clamp down on ganja trafficking, little can be done due to insuffcient manpower and resources.[22/] The head of the Jamaica Constabulary Force's (JCF) narcotics division, Clem Shay, told us that he has only 28 men to patrol the entire island, and 3-4 working vehicles at a maximum. JCF wages are low and the corruption potential correspondingly high.[23/] Colonel Bunny Stern of the Jamaica Defense Force echoed Superintendent Shay's resources problem and explained the tremendous problem being created by the numerous ganja flights being run from clandestine airstrips. Jamaica has no radar facilities, making it virtually impossible to detect these flights. There is a constant fear of a mid-air collision with a commercial flight. JDF's chaser plane capability is minimal, as is their Coast Guard capability. Earlier this year the JDF began a program to dynamite clandestine strips, but legal challenges have put a halt to this program, and Colonel Stern told us that a ganja man could rebuild a blown strip in three days.[24/]

Again, as in Colombia, eradication is the alternative solution. A joint DEA-Jamaica eradication project in 1974 (Operation

Buccaneer) virtually wiped out the ganja cultivation. But since then it has returned, acreage is five times what it was before Buccaneer, and prospective eradication efforts in the near future seem unlikely.

The government of Prime Minister Seaga cannot afford the general backlash which would accompany an eradication effort at this time. The Coptics, Rastafarians, and many others unaffiliated with any group would object on traditional and economic grounds. In addition political opponents of the Seaga administration, mostly followers of former Prime Minister Michael Manley, would seize upon any general discontent to foster their opposition views, and it is well documented that these opponents possess many automatic weapons, procured in the period prior to last year's national election.

Minister Spaulding summed up the government's position for us: they are totally opposed to legalization and unimpeded exports and committed to anti-ganja efforts; but, any efforts must be part of a comprehensive, well thought out package so as to minimize political and economic backlash, and it is premature to begin this sort of effort. Meanwhile, the question arises as to how much pressure the U.S. government should place on Jamaica, and should our general foreign assistance be used as a lever? Unlike Bolivia it seems clear that this sort of leverage in Jamaica would be most unfair, and doing so would leave the Jamaican government with a Hobson's Choice. At this point their hands seem to be tied in regard to ganja; they have more pressing domestic problems to face.

This concludes my prepared statement. I would be glad to respond to any questions but would add that we have a number of witnesses this morning who are much better informed than I and they may be in a better position to answer your questions.

FOOTNOTES

1/ According to most estimates Colombia is either the source nation or the transit point for 70% of the cocaine, 70-80% of the marijuana, and 80-90% of the quaaludes imported into the United States.

2/ Currently in Colombia several law enforcement agencies have narcotics responsibility, including the Judicial Police, which is part of the Colombian Office of Attorney General. Other involved agencies are the National Police, Colombian Customs, and the Colombian Armed Forces. The Judicial Police effort is geared towards investigations while the National Police is more interdictive.

3/ U.S. officials in Bogota informed us that there were four National Police units of approximately 120 men each in the Guajira with a fifth unit on standby. Interdiction in this area was previously handled by Colombian military forces.

4/ Normally marijuana is burned and quaaludes are tossed in the sea. These actions require judicial sanction. Accordingly a judge is usually present at the time of destruction. Local officials are often invited to attend and we were told that they may appear but do so reluctantly since many local officials are paid by traffickers to minimize interference with their trafficking operations.

5/ Corruption is fairly rampant, with payoffs offered to law enforcement personnel to avoid arrest and to court administrative personnel to avoid prosecution if an arrest does occur. The lowest tier of police officers receive approximately $150 per month in salary. One reason for the replacement of the military in the Guajira with the National Police was to cut down on corruption. Judicial intimidation has become an extremely serious problem for Colombia, and was capped by the slaying of two judges in Medellin in October, 1980. Other assassinations have been attempted. Many judges refuse to accept drug cases and others have resigned. We were told that the lowest tier of judges in Colombia are recruited directly out of law school, are paid low wages, and are easily intimidated. If these tactics fail, major trafficking bosses are apt to have a lower-level figure take the criminal rap in exchange for financial reimbursement and promises of an early release from prison.

6/ Estimates of how much eradication would cost in the Guajira vary. One DEA official told the Subcommittee that it would cost $23 million to start up and $5 million per year to maintain.

The INM office in Bogota is requesting $10 million per year for the next five years for eradication. NORML has published a cost estimate of $250 million over five years. These figures should be compared with the overall $30 million in narcotics assistance which has been sent to Colombia in the past ten years.

7/ The organization is ANIF (National Association of Financial Institutions). For the past three years ANIF has conducted a publicity campaign for legalizing marijuana exports. They are supporting presidential candidate Alfonso Lopez-Michelson.

8/ In 1979 DEA estimated that there were more than 200 airstrips in the Guajira (and approximately 1000 in all of Colombia). A 1981 estimate states there are over 300 strips in the Guajira.

9/ 23 coca labs were seized in Colombia from October, 1980 through July, 1981.

10/ 1075 hectares of coca cultivation were destroyed from October, 1980 through July, 1981. (One hectare is approximately 2 1/2 acres.)

11/ Cesar Bernal informed us that the llanos area comprises 40% of Colombia but only 2% of its population. It is virgin territory for traffickers and much of it is relatively inaccessible.

12/ Colombian traffickers prefer to utilize Peruvian, rather than Bolivian, coca. The Bolivians are more likely to have their own processing labs in Bolivia. Coca base is the preferred form for transit (rather than paste) since coca base is half as bulky as paste and does not have a distinguishing odor.

13/ Commandante Cano's daily operations have been supplemented by two larger-scale eradication and enforcement efforts: Operation Green Sea I and Operation Green Sea II. These took place in November, 1979 and March, 1980 and involved additional troops.

14/ Coca leaf chewing among the Indians serves the purposes of providing energy, numbing hunger, and according to Indian beliefs, stimulating sexual prowess. Researchers have emphasized that in this context coca is being used more as a mild stimulant than a narcotic.

15/ According to a 1979 AID study, one hectare of coca leaves would provide a return of approximately $8300 to a farmer. One hectare of cacao would return $4000, one hectare of rice $625, one hectare of corn $510, and one hectare of soybean $500.

16/ ENACO stands for Empresa Nacional de la Coca.

17/ This scenario is technically no longer possible since no licit production of coca leaves is allowed in the Tingo Maria area anymore due to its reputation as a trafficking center.

18/ Congress has specifically mandated this sort of inquiry in 22 U.S.C. 2291.

19/ Despite the extensive use of ganja in Jamaica, exports far outweigh internal use. DEA's Special Agent in Charge in Kingston provided us with a 1981 estimate of 4800 acres of ganja cultivation. Two harvests per year would result in 4800 tons of ganja (one acre = 1/2 ton). DEA's agent estimated 300-350 tons for domestic consumption, leaving 92-94% for export to the U.S. (This is a larger estimate of total quantity than others which have been made.) DEA's agent added that at the time of our visit traffickers were having difficulties getting this much ganja out of the country, and warehouses were full of large quantities of stored ganja. This can only be done for several weeks before staleness sets in.

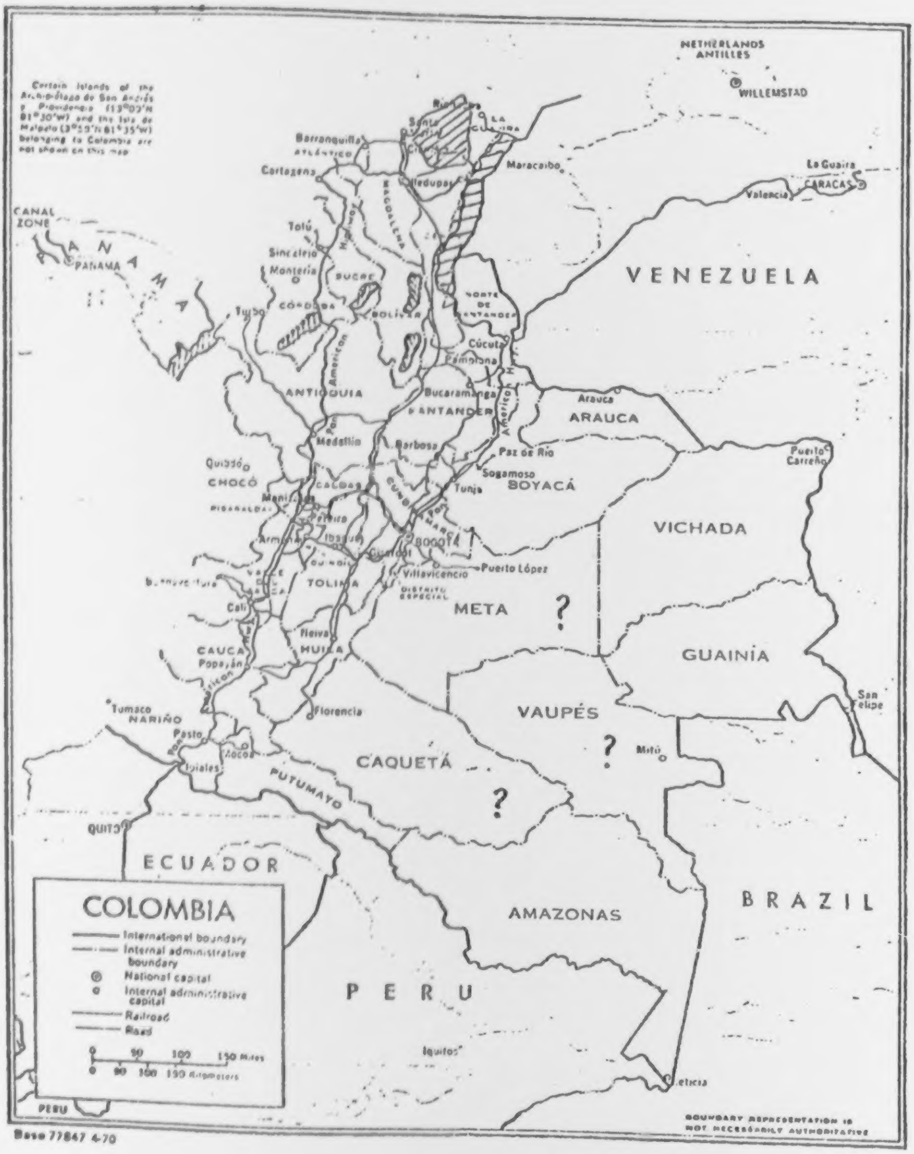
20/ Jamaica has experienced eight consecutive years of negative economic growth. There is currently an unemployment rate of 35% as well as an underemployment rate of 35%.

21/ Several months ago nine Coptic Church members were convicted of narcotics trafficking charges in Miami. Keith Gordon, the Chief Elder and leader of the Coptics, is a fugitive in that case. Chief Elder Gordon is living in Jamaica.

22/ Minister Spaulding told us that Jamaica's police could not adequately patrol residential areas for crime. How, therefore, could they interdict ganja?

23/ DEA's Special Agent in Charge in Kingston told us that JCF wages are approximately $300 per month, and the most rudimentary housing would cost $250 per month.

24/ Colonel Stern informed us that special legislation is being prepared which would allow for the resumption of these airstrip bombing missions.


Certain Islands of the Archipiélago de San Andrés y Providencia (13°03'N 81°30'W) and the Isla de Malpelo (3°59'N 81°35'W) belonging to Colombia are not shown on this map
NETHERLANDS ANTILLES
WILLEMSTAD
LA GUAJIRA
Barranquilla
ATLÁNTICO
Cartagena
Maracaibo
La Guaira
CARACAS
Valencia
CANAL ZONE
PANAMA
PANAMA
Tolú
Sincelejo
Montería
SUCRE
CÓRDOBA
BOLÍVAR
MAGDALENA
Valledupar
NORTE DE SANTANDER
VENEZUELA
Cúcuta
Pamplona
ANTIOQUIA
Bucaramanga
SANTANDER
Arauca
ARAUCA
Medellín
Barbosa
Paz de Río
Quibdó
CHOCÓ
CALDAS
Sogamoso
Tunja
BOYACÁ
Puerto Carreño
RISARALDA
Manizales
Pereira
Armenia
Ibagué
BOGOTÁ
Girardot
CUNDINAMARCA
QUINDÍO
VICHADA
Buenaventura
VALLE DEL CAUCA
TOLIMA
Villavicencio
Puerto López
DISTRITO ESPECIAL
META
?
Cali
Neiva
HUILA
CAUCA
Popayán
GUAINÍA
San Felipe
Tumaco
NARIÑO
Pasto
Mocoa
Ipiales
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VAUPÉS
?
Mitú
CAQUETÁ
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PUTUMAYO
QUITO
ECUADOR
BRAZIL
AMAZONAS
PERU
Iquitos
Leticia
PERU
COLOMBIA
International boundary
Internal administrative boundary
National capital
Internal administrative capital
Railroad
Road
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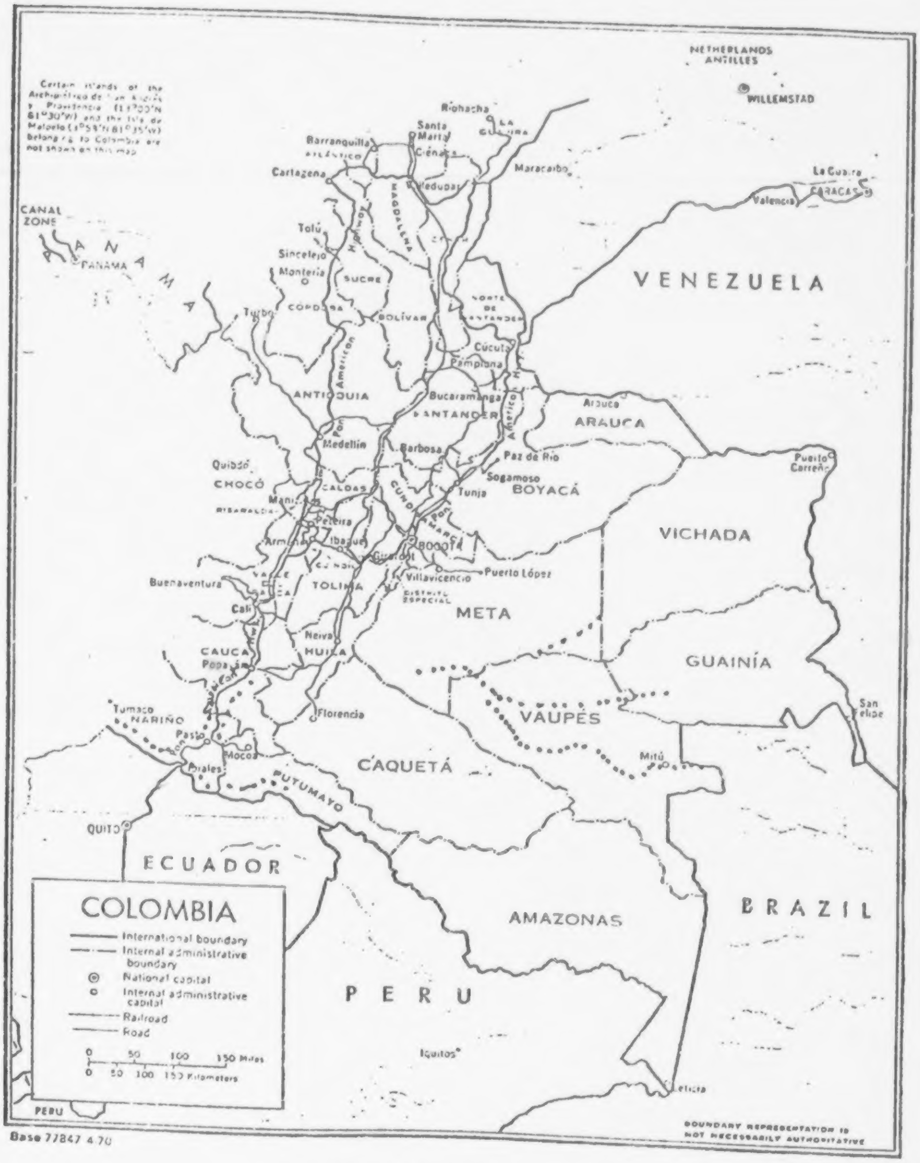
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
Base 77847 4-70

Marijuana Cultivation


NETHERLANDS ANTILLES
WILLEMSTAD
Certain islands of the Archipiélago de San Andrés y Providencia (13°00'N 81°30'W) and the Isla de Malpelo (3°58'N 81°35'W) belonging to Colombia are not shown on this map
Riohacha
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Cartagena
Maracaibo
La Guaira
CARACAS
Valencia
Valledupar
MAGDALENA
CANAL ZONE
PANAMA
PANAMA
Tolú
Sincelejo
Montería
SUCRE
CÓRDOBA
BOLÍVAR
NORTE DE SANTANDER
VENEZUELA
Turbo
Cúcuta
Pamplona
ANTIOQUIA
Bucaramanga
SANTANDER
Arauca
ARAUCA
Medellín
Barbosa
Quibdó
CHOCÓ
Paz de Río
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BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
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Coca Cultivation

The Miami Herald

Wednesday, October 14, 1981

DEA feebly attempts to slay 'drug dragon' in Colombia

ourth of a series

y GUY GUGLIOTTA
rald Staff Writer

BOGOTA, Colombia — In Colom-ia and the rest of Latin America, e U.S. Drug Enforcement Admin-tration is battling a multi-billion ollar drug business that controls e lives of tens of thousands of eople.

It is an uneven struggle: like ight [illegible] dragon that grows two ead [illegible] each one severed. The ragon is strong and the dragon is ich. Most of all, the dragon enjoys cquiescence, if not outright sup-ort, in Colombia, where it lives, nd in the United States, where it eeds.

For American enforcers, the frustrations of taking on the drug trade outweigh the successes throughout Latin America. That goes for Colombia in spades.

Destitute Colombian *campesinos* gladly toil for a pittance so American high schoolers can buy marijuana and Quaaludes at a price they can afford. In between, enough money changes hands to match the Gross National Product of a small country.

Colombia, to use this year's expression, is the "supply side" of the dope business, exporting 70-80 per cent of the marijuana, 60-70 per cent of the cocaine and 80 per cent of the methaqualone (Quaaludes) consumed in the United States.

There are no hard figures on how much drugs are worth to Colombia, bu [illegible] private foundation recently est[illegible]ed earnings of $2.5 billion in 1979. Coffee, Colombia's biggest straight export, was $500 million behind.

Drugs can support a big payroll, buy a lot of silence, pay for nimble lawyers and seduce a lot of otherwise law-abiding citizens. Helping

end drug traffic is what the DEA is supposed to be doing in Colombia. It is not succeeding.

"The DEA and everybody else that's working in this area is not, by their own statistics, stopping any more than 10-15 per cent of the flow of illegal narcotics to the United States," says U.S. Ambassador Thomas Boyatt. "We can and we must do better."

But how?

The DEA has from eight to ten agents in Colombia at any time, operating on a budget that changes each quarter but which comes out to about $250,000 per year, outside of salaries.

With this, the agency finances a variety of occasional expenses — office furniture, plane tickets, meal money, informants, flashlights and other light equipment as well as gasoline to keep Colombian vehicles on the road.

The DEA does not buy heavy gear — airplanes, boats, helicopters, radios. That comes from the U.S. Narcotics Assistance Unit in Colombia, an arm of the State Department.

Equipment delayed

Sometimes this can create misunderstandings. Police on Colombia's north coast have been waiting for months for launches, radios and helicopters. Many blame the DEA for the delay, but the State Department is responsible.

Along with limited funds and limited jurisdiction, the DEA also receives limited guidance from Washington. Congress is examining proposals that would make the job easier, but has taken no action.

Most of the DEA's agents in Colombia have a minimum five or six years' experience and habitually work in Spanish, important because the agency by U.S. law cannot conduct investigations in Colombia, but only act in a liaison capacity with Colombian counterparts.

"It's an adjustment," admits John Phelps, the DEA's special agent in charge. "In the States we would initiate an investigation, conduct it and end it, but here we can't."

DEA restricted

Many Colombians do not understand the restrictions, but if they [illegible]lain, it generally is because the [illegible] does too little. Congress, whose misgivings about Central Intelligence Agency involvement in foreign law enforcement inspired the Mansfield Amendment, worries about the DEA doing too much.

There is certainly much to do.

Colombia has 27 million people, 1,200 miles of Atlantic and Pacific seacoasts, 3,100 miles of borders with five countries, a cumbersome democratic government and world-class coffee, emeralds and cross-country cyclists.

It also has four guerrilla groups, pickpockets whose skills would delight Fagin, a full corps of muggers, murderers and heist artists and smugglers capable of moving anything anywhere. Colombia is a world leader in production and distribution of counterfeit money.

The drug business has flourished here for more than ten years, taking advantage of both the ambience and the geography. The borders are sieves, propeller airplanes can fly non-stop to the United States, and there are huge areas with almost no [illegible]ation or roads.

[illegible]ngle canopy often conceals the perfect hideout: cocaine labs in the Amazon; coca fields in the savannahs of the eastern *llanos*; marijuana in the hot hills of the northeastern Guajira Peninsula.

4 types of activity

The DEA and Colombian authorities are interested in four types of activity, each presenting different problems and each with different possible solutions, none, at this point, solved.

- **MARIJUANA:** Two annual harvests are worth anything from $1.4-$2.05 billion, the biggest dope operation in the country. The industry center is the Guajira peninsula, with rapid growth in the *llanos*.

The DEA and Colombian police estimate plantings of between 125,000-175,000 acres in the Guajira alone, employing as many as 40,000 people, most of them smallholders, tenant farmers and squatters.

Policing it is ridiculous. Marijuana grows weedlike, maturing in three to four months. It cannot be destroyed on the ground, because the entire Colombian armed forces don't have enough time, men, money or machetes to do the job.

The growers tend to be ignorant campesinos such as Epifanio Jaramillo, who thinks he is 46 years old, listens to a transistor radio and tends 15 acres of marijuana on a hillside about 25 miles south of the Guajira city of Santa Marta.

Police never bust the Jaramillos of Colombia, who wouldn't be doing anything at all if they weren't raising dope. The Colombian marijuana grower is like the American marijuana smoker: There are too many of them and they are too insignificant.

- **COCA:** Some 30 tons of cocaine move out of Colombia each year, about half made from domestically grown coca trees, mostly in the *llanos*.

Coca leaves can be harvested three or four times a year for 40 years or more, but the tree needs two to three years before it can produce. For this reason, the DEA thinks police can finish off domestic production. A few passes with a chainsaw can destroy the investment of a lifetime, and chainsaws come within the DEA's budget.

- **COCAINE:** Colombian cocaine, the drug traffickers' major growth industry, is worth about $500 million per year. Chemists refine domestic and imported coca paste in hundreds of small laboratories in the *llanos*, the Amazon and in the big cities of Medellin, Bogota and Cali.

The conventional wisdom of the cocaine business holds that many influential families are deeply involved in the traffic, making enforcement a political nightmare.

There is no doubt of cocaine's power. In the industry center of Medellin, a jewel of a city in the high Andes, gunmen last year murdered several investigative judges just to set an example.

- **METHAQUALONE:** Colombia's "offshore" industry. The powder arrives by airplane from Europe or the Peoples' Republic of China, major producers of the chemical. Colombians compress the powder into Quaalude pills and ship it out again.

This year, police and the DEA seized four tons of powder and convinced West Germany to make methaqualone a controlled substance. This success may have put a crimp in the industry, but investigators won't know for another six months.

Some success

The DEA's Colombian scorecard for 1981 shows progress in marijuana, where police seized 1,385 metric tons through September as opposed to 690 metric tons all of last year. Methaqualone seizures were also up — to 6.9 million pills versus 1.2 million in 1980.

These successes have meant less attention for cocaine, and it shows. Seizures for 1981 stand at 669.6 kilograms through Sept. 20, down from 1,584.3 kilos last year.

Both the DEA and Colombian authorities use the numbers to record performance, but agree that seizures mean little. What counts is the percentage of total production grabbed, and this is a mystery.

For this reason, the Colombian philosophy, like the DEA's, is to hunt big fish, some 35-150 "Class One" offenders that police and DEA want very badly, as well as another 200 middle-level traffickers.

Still, it can be harder to make a case in Colombia than in the United States. Phelps says the Colombians "have the same layers of insulation, removing themselves from the actual level of narcotics activity."

The DEA in Colombia distinguishes between two different strategies for narcotics control: "interdiction" and "eradication." Interdiction is police work, what the Colombians are trying to do with cocaine and marijuana. Eradication means wiping out crops.

Both DEA agents and Ambassador Boyatt say that interdiction can be like throwing straws in the wind, especially when dealing with an industrial behemoth like north coast marijuana. The surest solution, proven in Mexico, is to spray t[illegible]ole peninsula with herbicide, p[illegible]bly paraquat.

There are obstacles.

Most important is the so-called Percy Amendment, prohibiting the U.S. government from selling herbicide to foreign countries. Boyatt and the DEA regard repeal of this amendment as a minimum condition for controlling marijuana in Colombia.

The second obstacle is American refusal to spray domestic U.S. marijuana production. The DEA says the U.S. example makes it harder to sell Colombia on herbicide.

Apart from legal problems, Colombian police say that with some logistical help, interdiction can stop marijuana on the Guajira. The area could become a possible area of friction for DEA-Colombian police relations, oddly enough because strategy in the area has proved successful.

Before December, 1980 the Guajira was a dope smugglers' paradise, with marijuana moving almost without restriction, poor farmers buying Mercedes Benzes and gunmen turning streets into free-fire [illegible]s.

[illegible]e army was handling interdiction badly, much of its work compromised by huge amounts of cash circulating in the area. Local officials were indifferent because the Guajira was tasting prosperity and liking it, never mind where it came from.

In late 1980, the DEA helped train a national police unit to take over. The officers were handpicked, the enlisted men draftees completing a year of active service.

Neither officers nor men had any family in the Guajira, the idea being to send a picked group of strangers to do a year of hard time, no frills, no distractions.

The five police companies based in Santa Marta have a total of 576 men who since December have seized 1.67 million kilos of marijuana, 782 prisoners, 235 vehicles and 176 weapons.

Their leader is Major Ismael Trujillo Polanco, who describes his system succinctly: "They have 12 hours on, 12 hours off, seven days a week; no going into town; no civilian clothes; no getting drunk; no screwing around." There are no fat cops in Santa Marta.

Trujillo claims his men are stopping "about 80 per cent" of the Guajira marijuana traffic, but the DEA says this is unlikely because of the amount of Colombian marijuana seized elsewhere.

Trujuillo's men work only on land, tramping or driving through the hot mountains. They use a mixture of ancient M1 carbines and West German G3 automatic rifles.

The drug traffickers favor light, semi-automatic AR15s. Recently, teamsters with a marijuana mule train greeted Lt. Luis Alberto Hernandez and a squad of police with hand grenades.

The police's major complaint is that they have no boats, no helicopters and no airplanes, hampering mobility. "This is not an insoluble problem," Trujillo says. "What we need is transport equipment."

The police say the U.S. embassy is supposed to be sending launches, trucks and radios, but the only item to arrive so far has been boxes of C-rations. Sending the equipment is the State Department's job, but the Colombian police deal with the DEA, and the DEA is who they blame.

"I know the DEA doesn't have any money either," Trujillo says. "But we never have enough stuff."

Other police are not so charitable: "The DEA says we're going to get vehicles: Where are they?" asked one officer. "The DEA says we're going to get radios: Where are they? The DEA says we're going to get boats: Where are they? It's always next week, next month. I've stopped waiting."

EMPRESA NACIONAL DE LA COCA
Leyes Nos. 11046 y 17525

[illegible]

PEDIDO DE GUIAS

.........................., ... de .... de 19......

Bultos............................ de coca, con .... Kilos,

a movilizarse con destino a ....

Provincia de ....

Distrito de...

a consignación de ....

procedente de los siguientes fundos:

PROCEDENCIA		PESO
Fundo	Propiet. o Arrendatario	Cantidad Kilos

Se expidió el Certificado de Pago N° .... con fecha

.... de 19.........

....

Nota.—Todo documento proporcionado por los solicitantes de Guías será sancionado conforme a reglamentación.

EMPRESA NACIONAL DE LA COCA
Leyes Nos. 11046 y 17525

PEDIDO DE GUIAS

[illegible]

.... de .... de 19...

Sres. Banco de la Nación,
Departamento de Recaudación

....

Sírvanse expedir Certificado de Pago para la movilización de................................ bultos

.... Kilos de coca, con destino a...Provi

de..Distrito de...

a consignación de...cuya procede

exacta por fundos es la siguiente:

PROCEDENCIA				PESO
Provincia	Distrito	Fundo	Propietario o Arrendatario	Cantidad Kilos

Se expidió el Certificado de Pago N° ....

Fecha de la Expedición..

....
Firma y Sello del Expedidor

....
Nombre y Firma, Solicitante

NOTA.—El precio de este talonario es de S/. 200.00 en toda la República.

The Miami Herald •••
Wednesday, Oct. 14, 1981

Peru: *Cocaine flows unchecked through jungle waterways*

y WILLIAM R. LONG
erald Staff Writer

LIMA, Peru — Northeastern eru is a vast maze of winding ivers and untamed jungle, a no-an's-land more than twice the size f Florida, a coaine trail that defies ontrol.

Traffickers in slick speedboats nd motorized dugouts called eque-peques ply an infinitely varible network of secret routes hrough the region. Most of the coaine paste they carry is on its way o Colombia for conversion into owder, then to the United States nd Europe for illegal sale.

Periodically, the U.S. Drug Enorcement Administration helps Peuvian police mount anti-cocaine perations in the northeast. But ime[illegible] agents admit that the eforts [illegible] only a feeble beginning.

"It's primitive, primitive jungle ountry, and there is almost no conrol as far as stuff coming in and ut," said Ken Curry, a DEA agent ased in Lima. "I have worked on he Mexican border, in Spain and iami, and it was all peanuts comared to this."

"The area is just too wild and too mmense to be covered by the peronnel we have now," said Chris erdugo, another DEA agent.

The Peruvian government is busy vith the problems of politics and conomic development, and does ot give top priority to drug conrol.

"This is a secondary matter," aid President Fernando Belaunde in a interview. "You have crime verywhere. In Peru, it does not inolve people in high office."

William Wetherington, head of he DEA office in Lima, said that irtually all of the 200 narcotics gents in the Peruvian Investigative olice's drug unit are based in the ima area. The armed forces do not articipate in anti-drug efforts, and he Ci[illegible] Guard stations in the provnces [illegible]rally do not have full-ime narcotics agents.

No agents in area

The DEA has five agents in Lima. No DEA agents are stationed in the Peruvian northeast, or in other backland areas where coca leaves are grown and converted into cocaine paste.

In June, a team of Peruvian police "worked" a river named the Aguaytia for the first time. Like numerous rivers in the Peruvian northeast, it flows into the jungle toward Colombia from Andean foothills where the coca bush is a major crop.

Verdugo, 33, helped plan the Aguaytia operation and went along to watch. What he saw illustrates the challenges faced by the DEA.

The operation began at the remote river port of Nuevo Piquena. Verdugo and seven members of the Peruvian police, called the Civil Guard, took off at dawn in a 25-foot *peque-peque* and a 14-foot aluminum boat with an outboard motor.

It was an all-day trip to a stakeout spot where the river narrowed. As four Peruvian officers in the first police boat approached the chosen stretch of river, they saw another *peque-peque* tied to shore.

"They saw some gear in the boat and it looked like someone was getting ready to take a trip," Verdugo said. There was a hut 50 yards away. The Peruvian agents moved in.

"Some guys inside started shouting and running in all directions," shooting at the Peruvian officers with automatic weapons, Verdugo said. The officers "tried to return fire, but their weapons jammed."

Cocaine confiscated

One man was arrested and three got away. No one was hurt. The arrested man led the agents to a stash of cocaine paste that weighed 670 pounds. That night, another *peque-peque* came putting down the river. After a chase, three men were arrested and 22 pounds of cocaine paste were confiscated.

Verdugo and the rest of the Peruvian officers arrived in the aluminum boat the next day.

"We stayed there another two days, but due to rain — and I mean really hard rain, almost all day and all night — we gave up."

The take from the expedition: 692 pounds of cocaine paste, four prisoners and two *peque-peques*.

"I think if we had stayed a week, we could have made a couple of more hits, until the word got out that we were there," Verdugo said.

Russ Reina, 32, another DEA agent based in Lima, said traffickers in the northeastern jungle are adept at changing their routes when they hear of interdiction efforts.

Last year, in October and November, Reina and 30 agents of the Peruvian Investigative Police set up an interdiction operation around Iquitos, a major port city on the upper Amazon River.

"Every barge, every *peque-peque* had to be stopped for inspection," Reina said, "and it turned out to be more than we could handle."

The 30-day operation took in little more than 100 pounds of drugs in all.

"The first seven days was when we were making the seizures," Reina said. "After that, nothing."

Local government authorities asked that the operation be stopped, he said. They complained that searches were causing long delays on the rivers and at the airport. "They say, 'hey, we've got to live with these people,' " Reina said, acknowledging that "these people" meant drug traffickers as well as

> 'I have worked on the Mexican border, in Spain and Miami, and it was all peanuts compared to this.'
>
> DEA's Ken Curry

local politicians and businessmen.

One day during the operation, agents at a floating checkpoint on the Amazon near Iquitos saw a 16-foot speedboat coming down the river with its 200-horsepower motor running wide open.

The agents sent two police boats in pursuit. "They fired a couple of shots at him, and the bullets didn't catch up with him, that's how fast he was going down the river," Reina said. The next day, the speedboat came back the other way and got away again.

Big dealers rarely get caught in northeast Peru. "We know that there are people who are dealing in 1,000 and 2,000 kilos a year," Reina said.

"Unfortunately, we are only talking about northern Peru," he said. "We know very little about southern Peru. No one has even tried to calculate how much illegal cocaine is produced in the southern area."

Wetherington said one of the main tasks of his five-member DEA unit in Lima is "attempting to persuade, encourage our local counterparts to do what is necessary to interdict traffic before it goes to the United States."

The DEA in Peru has $100,000 a year for its expenses. It often shares the money with Peruvian agents.

Wetherington's office has additional funds for paying informants.

He said it normally is about $10,000 every three months. Peruvian agents have no funds for buying information, he added.

Peruvian authorities seized about 6 metric tons of semi-refined or pure cocaine during 1980. That was 13 times the amount of all drugs seized in 1975, but only a fraction of the cocaine processed in Peru.

"We figure there could be over 200 metric tons of paste produced a year," Wetherington said. He said 200 tons of paste converts to about 80 tons of pure powder.

THE NEW YORK TIMES

DATE: August 31, 1981

Bolivian Leaders Tied to Lucrative Cocaine Trade

By EDWARD SCHUMACHER

Special to The New York Times

LA PAZ, Bolivia, Aug. 29 — Senior military officers here have been involved in extraordinarily lucrative drug trafficking and other corruption since the armed forces took power 13 months ago, according to foreign and Bolivian officials and two individuals with first-hand knowledge of the drug flow.

Some officers have received millions of dollars for protecting traffickers or for trafficking themselves in the processed and semiprocessed cocaine leaving Bolivia, the source of most of the cocaine that reaches the United States, according to officials of the United States Drug Enforcement Agency.

The junta now governing Bolivia stepped in three weeks ago when Gen. Luis Garcia Meza was forced to resign as President by a military rebellion, prompted in part by reformist officers who had discovered the corruption. The junta has called for a "return to morality," but two of its three members have themselves been charged with corruption in the past.

The Reagan Administration, meanwhile, is withholding appointing an Ambassador or giving the country badly needed economic aid because of the involvement of Government leaders in the cocaine traffic, Administration officials have said.

Among the allegations are these:

General Garcia Meza received millions of dollars from drug traffickers, which he used to buy the allegiance of key commanders and to call off a United States-aided drug crackdown in June, according to the Drug Enforcement Agency officials, three Bolivian military officers and the drug-trade sources.

Col. Luis Arce Gómez, who was removed as Interior Minister in February after international pressure focused on him as the Government's chief drug contact, reportedly remains a powerful figure behind the scenes.

Charges Are Denied

He controls a force of Government security agents and foreign mercenaries while trafficking in cocaine in a fleet of private planes that he co-owns, according to the diplomats, military officers and other sources related to the drug trade here. Colonel Arce Gómez denied some of the trafficking charges in a paid newspaper advertisement last week.

Gen. Waldo Bernal of the air force, the senior junta member, regularly received payments of up to $100,000 a week for coca-loaded planes leaving the country for an undefined period after the coup, according to the same sources. General Bernal declined to be interviewed.

Adm. Oscar Pammo, the navy repre-

Continued on Page A6, Column 3

sentative on the junta, is widely known by ordinary Bolivians as "el Pakistani" because of his involvement two years ago as Minister of Industry and Commerce in a $14 million purchase of supposedly premium rice from Pakistan at had worms and rats in it.

Inquiry Is Cut Short

A parliamentary investigation of the charges that he was among those who pocketed the difference between the two qualities of rice was cut short by last year's coup.

General Bernal and Admiral Pammo joined General Garcia Meza in a plan with a private contractor last year to mine semiprecious stones such as amythest and topaz from Government land and export them to Brazil, according to a copy of the contract made public here two months ago.

The officers later said they were acting on behalf of the armed forces, but the Government has well-established procedures for operating mines and for paying profits and taxes — none of which were followed. It is unclear whether the venture has ended.

The drug-trade sources and diplomats say that army trucks are regularly used to transport coca leaves to clandestine processing centers. Air force guards are posted at some of the country's many private airfields used for flying out the cocaine.

Flashy Cars and Sumptuous Homes

Many military officers are hardly bashful in displaying their new wealth. ey drive flashy cars and live in expen- ve homes that dot the cliffside winding down from the stark brown mountainside city into an exclusive suburban valley below.

Few of the "coca dollars" appear to reach the ordinary soldier, but its effects are already felt throughout much of the rest of society.

Indian farmers who tend to the spindly, bushlike trees in the tropical Andean foothills in the center of the country have come to rely on the sale of their coca leaves to the drug traffickers. Sprawling black markets have developed to recycle the coca dollars, offering everything from Chinese sewing machines to American cosmetics at some of the lowest prices on the continent.

The cocaine trade was a natural practice to begin here and a difficult one to eradicate now because of the role of the coca leaf among Bolivian Indians for centuries. They chew wads of the leaves throughout the day to give them energy, numb hunger and, they believe, stimulate sexual prowess. There is a large amount of legal cultivation here, and many unionized mines and factories give a monthly ration of the leaves to workers as a contract benefit.

$1.5 Billion From Cocaine

United States officials estimate that Bolivians earn more than $1.5 billion a ear from the cocaine exports, which is ore than this impoverished, sparsely populated country earns from its legal exports. Most of the money is invested abroad — in Miami apartments and Swiss bank accounts, for example. But it is estimated that $300 million comes back into Bolivia, much of it to finance the black market.

The coca dollars have been put to little productive use. For the last month, however, the Government has been effectively out of foreign reserves, and about the only dollars available even through international business transactions come through the black market. In La Paz, the black market operates at a busy downtown corner known locally as Wall Street, where men and women with briefcases filled with cash wait for customers.

Bolivian traffickers began by shipping the country's high-quality leaves or a semiprocessed paste to Colombia for further refinement into the almost pure cocaine liquid or white powder that is smuggled to the United States. There, it is cut to about a quarter purity.

The trafficking in Bolivia is controlled mostly by several large families who have been based in the city of Santa Cruz, 330 miles east of here. The traffickers still have their mansions there, but they have moved their operations in recent months to the more isolated department of Beni, the northeastern area of tropical jungles and savannas bordering Brazil.

Processing Stills on Boats

There, the families, with legions of runners and bodyguards, use sophisticated communications and transportation networks to process the leaves and transport them north by air or east by boat along tributaries of the Amazon into Brazil.

Some of the families who traffic in drugs have reportedly even set up processing stills on boats, manufacturing the paste as it is being transported to refining laboratories in the Brazilian jungles surrounding the Amazon port city of Manaus, an increasingly important drug distribution point to the United States and Europe, according to diplomats and the Drug Enforcement Agency.

The United States has not had an Ambassador in Bolivia since shortly after last year's coup, when the Carter Administration recalled Ambassador Marvin Weissman and sharply curtailed eight programs because of Bolivia's record on human rights. The Reagan Administration shifted the focus to the drug trade.

Foreign Minister Mario Rolón Anaya

. . .

acknowledged in an interview here this week that some military officers had been corrupt but said that "the Government has no proof to prosecute" and that the Reagan Administration "should not condemn all for some."

'New Government, New Image'

He said "the junta is a new Government with a new image," trying to stop the drug flow.

The trade, however, is a major factor behind the continuing instability of the junta and the country.

General Garcia Meza, who still lives in the presidential residence and enjoys such presidential trappings as the executive helicopter and limousines, is allied with Colonel Arce Gómez and is trying to rally support for a return to power.

Young colonels who call themselves the "black eagles" are pushing for power behind their leader, Col. Faustino Rico Toro, the strong-willed commandant of the military college.

The colonels were once the backbone of General Garcia Meza's support, many of them receiving up to several hundred thousand dollars from the President in crises in the last year when the Government seemed shaky, the sources said.

Ex-President Returns From Exile

But now the colonels appear to be acting more on their own, some even reportedly having their own close ties with the drug trade. Former President Hugo Banzer, a retired general, returned to the country from exile this week; he still commands some allegiance among officers, who remember his tenure as President from 1971 to 1978 as a period of stability.

General Banzer is negotiating to return to the presidency. But it was during his administration that ambitious development projects became mired in kickbacks and the drug trade grew in earnest, according to businessmen and diplomats.

During General Banzer's term, Drug Enforcement Agency officials said, one of his brothers became a major figure in Bolivia, a stepbrother whom the General appointed Consul in Miami provided a key United States connection, and processing that is said to continue today on the General's extensive landholdings provided some of the cocaine.

General Banzer has publicly denied personal involvement in the illegal trade.

Economic Chaos in Bolivia

The reformists are led by Gen. Lucio Añez, who by all accounts appears virtually spotless. He has the support of many junior officers, who see the lack of United States and international support because of the drug trade as a primary cause of the country's economic chaos. The Government, lacking reserves, is practically bankrupt, bouncing checks abroad and unable to repay all its debts.

"The country needs a little hope," General Añez said in an interview this week. "It needs a government of people who are capable, responsible and above all honest."

Gen. Celso Torrelio, Commander in Chief of the army and the third junta member, is also considered honest, but he does not command much of a following.

Bolivian governments, civilian and military, have always had a measure of corruption, Bolivian businessmen and foreign diplomats said. But they said that in the last year under General Garcia Meza and Colonel Arce Gómez the amounts of money were unprecedented. Instead of being at the bid of the traffickers, they reversed the relationship to apply their own private taxes to guarantee protection, the sources said.

A Dangerous Game

When Maj. José Abraham Baptista, head of customs in Santa Cruz, seized $5 million in cash from a group of Colombian traffickers last year, for example, $4 million of it went to General Garcia Meza, $1 million to Colonel Arce Gómez and $1 million to his commander and confidant, Gen. Hugo Echeverria, associates of the major said. He distributed the money under the direction of General Echeverria, who is division commander in the area and was the conduit for much of the drug money going to the Government.

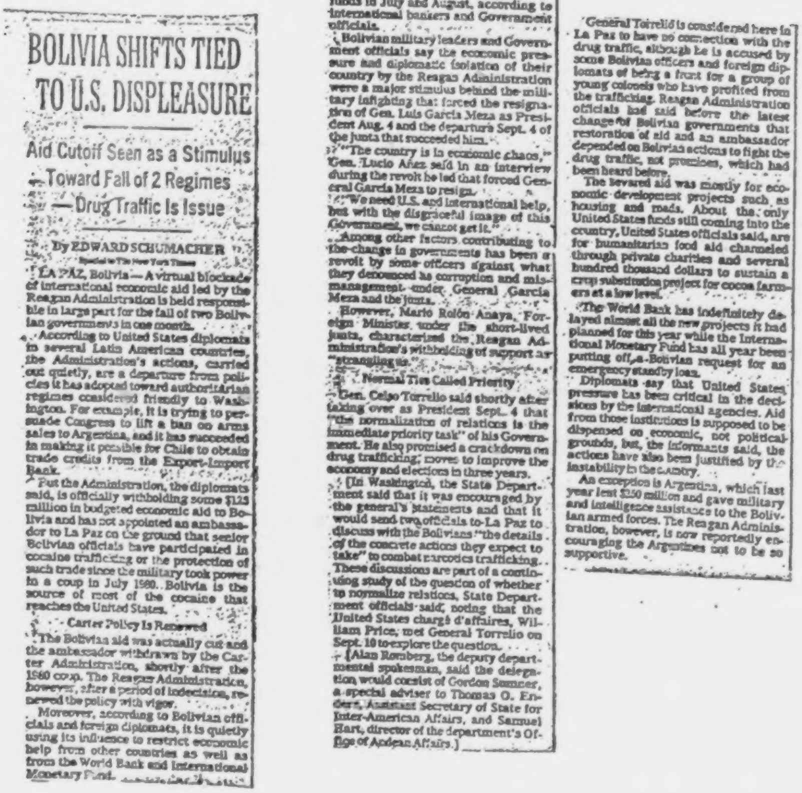
But it can be a dangerous game. Major Baptista frequently clashed with Colonel Arce Gómez, once at a meeting last October that threatened to reveal the distribution of the Colombian money, according to sources familiar with what happened at the meeting. Two days later the major was shot to death by three of his own men as he emerged from a pizzeria in Santa Cruz, according to sources there.

In February, hoping to normalize relations with the Reagan Administration, General Garcia Meza forced Colonel Arce Gómez to resign and began a highly publicized campaign against the drug traffic.

The Drug Enforcement Agency sent a special training team, equipment and $80,000 in budget support. By mid-May, the campaign had effectively stopped the transportation of the illegal leaves, according to foreign and Bolivian officials, though the only arrests were of small operators, not major family heads. Suddenly, however, the President ended the campaign, publicly saying it was futile.

"Someone" got to him, a diplomat said. The "someone," according to diplomatic, military and drug trafficking sources, was Roberto Suarez, head of one of the largest families.

The New York Times
Sept. 24, 1981



BOLIVIA SHIFTS TIED TO U.S. DISPLEASURE

Aid Cutoff Seen as a Stimulus Toward Fall of 2 Regimes —Drug Traffic Is Issue

By EDWARD SCHUMACHER

Special to The New York Times

LA PAZ, Bolivia — A virtual blockade of international economic aid led by the Reagan Administration is held responsible in large part for the fall of two Bolivian governments in one month.

According to United States diplomats in several Latin American countries, the Administration's actions, carried out quietly, are a departure from policies it has adopted toward authoritarian regimes considered friendly to Washington. For example, it is trying to persuade Congress to lift a ban on arms sales to Argentina, and it has succeeded in making it possible for Chile to obtain trade credits from the Export-Import Bank.

But the Administration, the diplomats said, is officially withholding some $125 million in budgeted economic aid to Bolivia and has not appointed an ambassador to La Paz on the ground that senior Bolivian officials have participated in cocaine trafficking or the protection of such trade since the military took power in a coup in July 1980. Bolivia is the source of most of the cocaine that reaches the United States.

Carter Policy Is Renewed

The Bolivian aid was actually cut and the ambassador withdrawn by the Carter Administration, shortly after the 1980 coup. The Reagan Administration, however, after a period of indecision, renewed the policy with vigor.

Moreover, according to Bolivian officials and foreign diplomats, it is quietly using its influence to restrict economic help from other countries as well as from the World Bank and International Monetary Fund.

"The economic pressure is sorely felt because Bolivia has a foreign debt of about $3.7 billion and the Government is essentially broke. Almost $15 million in Government checks were returned by United States banks for insufficient funds in July and August, according to international bankers and Government officials.

Bolivian military leaders and Government officials say the economic pressure and diplomatic isolation of their country by the Reagan Administration were a major stimulus behind the military infighting that forced the resignation of Gen. Luis García Meza as President Aug. 4 and the departure Sept. 4 of the junta that succeeded him.

"The country is in economic chaos," Gen. Lucio Añez said in an interview during the revolt he led that forced General García Meza to resign.

"We need U.S. and international help, but with the disgraceful image of this Government, we cannot get it."

Among other factors contributing to the change in governments has been a revolt by some officers against what they denounced as corruption and mismanagement under General García Meza and the junta.

However, Mario Rolón Anaya, Foreign Minister under the short-lived junta, characterized the Reagan Administration's withholding of support as "strangling us."

Normal Ties Called Priority

Gen. Celso Torrelio said shortly after taking over as President Sept. 4 that "the normalization of relations is the immediate priority task" of his Government. He also promised a crackdown on drug trafficking, moves to improve the economy and elections in three years.

[In Washington, the State Department said that it was encouraged by the general's statements and that it would send two officials to La Paz to discuss with the Bolivians "the details of the concrete actions they expect to take" to combat narcotics trafficking. These discussions are part of a continuing study of the question of whether to normalize relations, State Department officials said, noting that the United States chargé d'affaires, William Price, met General Torrelio on Sept. 10 to explore the question.

[Alan Romberg, the deputy departmental spokesman, said the delegation would consist of Gordon Sumner, a special adviser to Thomas O. Enders, Assistant Secretary of State for Inter-American Affairs, and Samuel Hart, director of the department's Office of Andean Affairs.]

General Torrelio is considered here in La Paz to have no connection with the drug traffic, although he is accused by some Bolivian officers and foreign diplomats of being a front for a group of young colonels who have profited from the trafficking. Reagan Administration officials had said before the latest change of Bolivian governments that restoration of aid and an ambassador depended on Bolivian actions to fight the drug traffic, not promises, which had been heard before.

The severed aid was mostly for economic development projects such as housing and roads. About the only United States funds still coming into the country, United States officials said, are for humanitarian food aid channeled through private charities and several hundred thousand dollars to sustain a crop substitution project for cocoa farmers at a low level.

The World Bank has indefinitely delayed almost all the new projects it had planned for this year while the International Monetary Fund has all year been putting off a Bolivian request for an emergency standby loan.

Diplomats say that United States pressure has been critical in the decisions by the international agencies. Aid from those institutions is supposed to be dispensed on economic, not political grounds, but, the informants said, the actions have also been justified by the instability in the country.

An exception is Argentina, which last year lent $250 million and gave military and intelligence assistance to the Bolivian armed forces. The Reagan Administration, however, is now reportedly encouraging the Argentines not to be so supportive.

the STAR

OPINION POLLS

by

DR. CARL STONE

NOTE: The Poll was carried out between July 16 and 27. 1,022 persons were interviewed islandwide in all parishes in 54 areas and communities. The margin of error in the sample is within a 4% limit.

MAJORITY OPPOSED TO CUTTING BACK GANJA TRADE

A recent press report gave the impression that the government had taken steps to reduce the ganja trade to the U.S.A. Coming against the back ground of an actual decline in the trade as perceived by ganja growers this report has given rise to certain issues surrounding the ganja trade in which sharp views for and against the trade have been expressed in the press.

Events that have taken place since the press suggest that the decline in the trade may be due to factors quite apart from any actions of the Jamaican government. The July Poll, however, tried to discover what support there was within the Jamaican public for a reduction of the ganja trade to the U.S.

When the last Poll was done on a related subject it was found that about 2 out of every 3 persons opposed the legalising of the ganja trade. Included among that majority were persons hostile to the trade as well as persons favourable to the trade but who fea[illegible] that legalising ganja might reduce the price earned by existing growers.

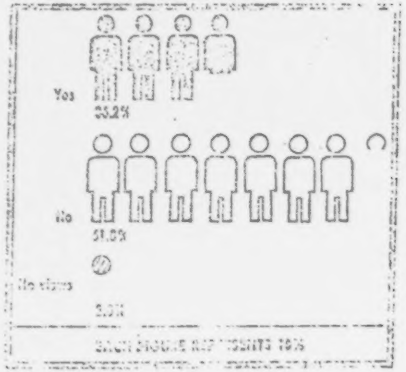
The currently debated issue of whether a cut-back in the trade is desirable provides a quite precise index of just what proportion of the public looks favourably on the ganja trade, regardless of whether they are users or growers or dealers or citizens who have no connection with ganja.

The July Poll found that 61.8% of the public disagreed with the view that a cut-back in the ganja trade was a desirable move. 36.2% agreed with the idea of a cut-back while 2% have no views.

QUESTION:

The Prime Minister recently announced (according to a press report) that his government had taken steps to reduce the ganja trade to the U.S. Do you think that is a g[illegible] move?

ANSWERS:



FRIDAY:

Who are the outstanding political leaders now?

The Gleaner 3/25/81 file

The dilemmas of the ganja business

by Carl Stone

Th gan administration, it seems, is determined to succeed in one area where previous U.S administrations have failed. I am referring of course to the war the new President is attempting to wage against the flourishing regional drug traffic which amounts to a multi-billion dollar flow of hard and soft drugs into the United States.

It should hardly surprise anyone, therefore, that our Minister of Security is echoing that battle cry by threatening to disrupt the local ganja trade through the dislocation of illegal airstrips.

The U.S. pressure against the trade has been building up for some time. The votes had hardly been fully counted after the October elections here before our new Prime Minister became a casualty of U.S. press and governmental pressure over the Jamaica-U.S. drug trade. I have no doubt that Mr. Seaga has had to make verbal concessions on this ganja war in exchange for the promise of extensive financial aid from the U.S.

Whether the Jamaican government can deliver on its end of the bargain remains to be seen. If I am proceeding on a false premise I welcome any word of correction in this regard.

Mexico is of course being cited by U.S. anti-drug interests as the model to be followed since our Central American neighbour has been the only country in the region which has waged a successful war against the drug trade. How those successes were achieved in Mexico leaves great doubts as to whether any similar gains can be recorded here. The Mexicans, according to most accounts, deployed some 1,500 soldiers in its drug war. Backed up by a large U.S. supplied air force a chemical offensive was mounted by spraying the countryside with that lethal crop destroying herbicide paraquat. Any such effort here would not only wipe out the ganja, but also everything that grows. We hope that no one is planning any such Vietnamisation of the Jamaican countryside.

Flourishing trade

In other countries in the region (Peru, Colombia, Brazil) the drug trade is apparently flourishing and the host governments have neither the means nor the will to follow the Mexican example.

There are of course two sides to the drug trade. The hard drugs traffic in coke must not be confused with the soft drug traffic in ganja. The markets are different and the suppliers are different although the drug routes into the U.S. tend to converge and pass through the same middle men who reap the lion share of the income.

The U.S. and Mr. Reagan should really be waging their war with the hard drugs trade and not with the ganja trade which is a small part of the drug traffic and earns peanuts compared to what the hard drugs dealers on cocaine earn.

The U.S. has itself liberalized ganja use in the U.S. and by so doing has increased the market for the soft drugs. Having extended the market demand for ganja by so doing the U.S is putting the cart before the horse by trying to fight ganja production from the wrong end of the [illegible]. If the U.S. is serious about restricting the ganja trade then what it should be doing is using its legislative power to restrict drug use in the U.S. Of course, the U.S. narcotics people have given up on that one, hence the new pressure on the supply side.

According to the statements coming from and attributed to U.S. narcotics agents Jamaica is a soft drug supplier and is in no way connected to the hard drugs cocaine trade. There is absolutely no documented evidence that this situation is about to change, unless Minister Spaulding has information which the narcotics people are not privy to.

The unofficial estimates are that Jamaica is the second largest supplier of ganja to the U.S. although falling considerably behind the massive $4 billion per year Colombian trade in the weed.

Does Mr. Reagan or the new JLP government have any means of finding alternative income and employment for local ganja traders, growers and middle men? If they do, why are they keeping this vital information from the public? If Jamaicans behave like the other people of the region they are not going to support any war on the ganja trade which does not have ready made plans to provide ganja producers with alternate income. The Mexicans used their vast oil wealth to finance some of this, but where is Mr. Spaulding or Mr. Seaga going to locate that kind of money for ganja rehabilitation?

As long as there is money in the ganja trade, the trade will continue to flourish. Our government should be

Ganja business

(Continued from Page 6)

seeking after Jamaican economic objectives, not U. objectives in dealing with the trade. How much of th estimated 1.1 billion U.S. dollars of the ganja trade re enue is entering into our banking system and aidi our foreign exchange needs? How much taxes are bein paid by the ganja trade? Is the trade really enjoying virtual free lunch while the country gets too few be efits from its presence here? These, I submit, are t questions our government should be dealing with.

Evidence

The Minister of Security would have us believe that th ganja trade is tied into gun running. Where is his ev dence? Well, perhaps it is not discreet for him to di close it at this time. But I am a little puzzled by his lo ic. There is abundant hard evidence that gun crime are tied into party politics. Why is the goodly Ministe not advocating that we close down the political parti as a means of solving the problem of guns?

To be sure, the pattern of the ganja trade with its nig flights and numberless airstrips does pose a securi problem. But is this loose talk about dislocating a strips the way to handle this problem? Is the Minis being wise by publicly committing himself to a poli objective although he does not have the necessary sec rity back up to achieve the target?

Is he in fact just verbalising to satisfy Mr. Reagan's w on drugs, knowing full well that his efforts are n likely to be any more successful than those of t Colombian government? Or is he somehow planning hoping to equip himself with the level of resources de oyed by the Mexicans?

Until these questions are answered (and I am sure th never will be), it is quite impossible to determine h serious our Minister is in this declared war on the g ja trade.

In the meantime my advice to him is to talk less and more and show some respect for the laws of econom which dictate that where there is a lucrative market something which can be grown with little effort and handsome returns, that commodity is going to be p duced and marketed.

DG- 7/15/81

GANJA MONEY

file - narcotics

By Carl Stone

LAST SATURDAY'S Gleaner carries on the front page an interesting quotation from Prime Minister Seaga in which he claims that "his Caribbean nation had significantly curbed the illicit flow of marijuana (ganja) to the United States this year". The news item indicated that the statement was made at a press conference which focused on U.S. investments and tourist promotions for Jamaica.

The Prime Minister's opinion is being echoed right across the country in the ganja growing zones of Ja[illegible]. Growers, dealers and other persons connected [illegible] trade have been constantly complaining to our [illegible]ers (who asked no questions about ganja) that steps are being taken to cramp the trade. These persons have told us in many places that there is a lot of pressure on the airstrips, that trade connections have been dislocated by vigilant action by U.S. narcotics agents, and that the ganja money is not flowing as it did one year ago. Lloyd Williams' recent articles on ganja also confirm this, in my view, unfortunate trend.

To be sure, while the P.M. disclosed this fact as an index of achievement, the growers and traders are expressing great anger, hostility and bitterness at the fact that the new government seems bent on fulfilling a deal with U.S. President Reagan to curb the ganja trade to the U.S.

I am not a ganja user, nor do I have any stake or interest in the trade, but it seems to me that if U.S. citizens desire to use drugs and to spend vast sums cultivating the habit, it is not the business of the government of Jamaica to try to bust the ganja trade unless it has good national reasons for so doing. The claim that the ganja trade is the basis and source of gun-running strikes me as a hastily trumped up excuse developed by the government and the Minister of Security to rationalise the attacks on the trade. Where is the evidence?

Now if Ronald Reagan expects Jamaicans to give up foreign exchange and dollar income flows to aid his war on drugs, then the U.S. government must (as a quid pro quo) be bankrolling and supporting our economy on a scale commensurate with the large dollar inflows which the ganja trade provides. If and when Reagan decides to do that, the Jamaican government must find ways and means to channel those funds into agriculture and agro-industry in ways that can provide jobs and income in the rural areas.

None of this is really happening. The help we are getting from the U.S. government is small compared to the income we will be foregoing by disrupting the ganja trade. Secondly, vague talk about finding alternate income sources for ganja growers is up to the present no more than talk.

Frankly, I think the JLP has made a grave error in how it has handled the ganja business and it is going to pay a heavy political price in terms of rural anti-government sentiments for doing Mr. Reagan's bidding without demanding adequate compensation.

What I find even more mysterious is how the government can be trying to cramp the ganja trade while expecting so many imports to be financed by no-funds licences when ganja money has traditionally been a major supply source for foreign exchange on the informal currency market.

The projections that increased dollar earnings from bauxite and tourism are going to make significant contributions to expanded foreign exchange inflows is mere wishful thinking. Middle income America is suffering from high interest rates, high prices and massive house mortgage payments. That is not a context in which it is realistic to expect a big upturn in both tourist traffic and tourist spending.

International demand for bauxite and aluminium does not suggest that any significant additional earnings are going to come from this source over the next 3 to 5 years. Which investor is going to pump investment money that can earn 18% 20% interest in U.S. banks into an area of production where the international demand has fallen flat due to the world recession?

Sugar and bananas are plagued with production problems and non-traditional exports are going to require long term re-allocation of resources before they realise their full potential as foreign exchange earners on a significant scale.

In the face of all of this, and in the face of the uncertain status of the much talked about inflows of North American investments, ganja and the ganja trade remain the most important source of earning additional foreign exchange. To cramp the trade in exchange for what seems to me are vague promises from the U.S. strikes me as being quite ludicrous.

THE REAL ISSUE

The real issue is to find ways and means of getting a better inflow of U.S. dollars into the banking system and into the official and normal flows of business transactions. By all means lean heavily on the trade to ensure that the growers and dealers pay taxes, and to ensure that a large proportion of their foreign exchange earnings flows into the economy. But any cramping of the trade to serve U.S. policy objectives cannot be justified unless we are adequately compensated. The government is playing with fire on this issue as it is opening itself to a charge that it is serving foreign interests at the expense of local interests which is precisely what the JLP accused the PNP government of doing in relation to Cuba.

Ganja money and its widespread circulation to individuals, groups and communities at varying levels in the society have been an important source of social stability, enabling many to earn income in otherwise unbearable circumstances of economic hardship. During its 1980 election campaign the JLP gave the impression of understanding that reality. North American pressures appear to have shifted the JLP's perspective on this issue. Has the JLP forgotten how Eli Matalon as the PNP's Minister of National Security tried and failed to bust up the ganja trade? Has the JLP forgotten how communities depended on ganja money turned against the PNP because of this absurd policy of trying to destroy the country's best source of foreign exchange earnings?

It's time that the government fully explains its position on ganja, because what it seems to be doing makes absolutely no sense to me. Nor am I alone in feeling this way about what appears to be the JLP's ganja policy.

A GANJA REPUBLIC? 7/Sol/12/1c

By
Wilmot Perkins

WE CAN, I think, claim to have escaped, even if by not too wide a margin, being a banana republic. Dr. Stone would have us become something infinitely worse, a ganja republic: and all for the greater glory of public opinion polling. Success has gone to his head. He now proposes, it would appear, to reduce the entire business of government to one of mindless subservience to the findings of opinion polls conducted by himself, which would make Dr. Stone the most powerful man in the country.

What it would do to government he gave us some indication of in his column in this newspaper on Wednesday. He claims to have discovered, in the process of taking his polls, a growing exasperation among in[illegible]s connected to the ganja trade over the Seaga G[illegible]ent's co-operation with the Government of the U[illegible] States in cutting off the illicit traffic in the drug between the two countries.

"Growers, dealers and other persons connected to the trade", he tells us, with the air of one purveying arcane intelligence, "have been constantly complaining to our interviewers... that steps are being taken to cramp the trade.... To be sure, while the PM disclosed this fact as an index of achievement, the growers and traders are expressing great anger, hostility and bitterness..."

If the Government succeeds in improving the performance of the Police Force, Dr. Stone will no doubt shortly be telling us that his polls disclose great anger, hostility and bitterness among the gunmen and other criminal elements who will have been adversely affected. Unless we are careful we shall in a moment find ourselves not venturing to make the most commonplace of inferences without reference to Dr. Stone and his polls.

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Finding that the ganja interests are angry, hostile and bitter, Dr. Stone warns the Government that it is "going to pay a heavy political price in terms of rural anti-government sentiment". I suppose that when ultimately he discovers that the criminal elements of the urban ghetto are no less angry, hostile and bitter at the improved efficiency of the police in curbing crime, he will come forward again with a similar admonition.

For if questions concerning the suppression of the ganja trade are to be determined by a poll of the opinions of "growers, dealers and other persons connected with the trade", consistency demands similar consideration for gunmen and other criminals in determining questions related to the suppression of the kinds of crime in which they are involved.

Questions of public opinion polling apart, Dr. Stone is proposing for this country that it be governed in a moral miasma by a government with the mentality of the Mafia. There is everything morally repulsive in the proposition he advances that the Seaga Government is somehow wrong in enforcing what is, after all, the law of this country, that in doing so it is merely "fulfilling a deal with U.S. President Reagan to curb the ganja trade to the U.S....doing Mr. Reagan's bidding without demanding adequate compensation", that instead the Government should be conniving with criminals to break its own law and that of another country with which it claims and wishes to pursue friendly relations, or, in the alternative, should oblige that Government to pay blackmail not to have its law so broken.

Dr. Stone says that "it is not the business of the government of Jamaica to try to bust the ganja trade unless it has good national reasons for so doing". The fact that the ganja trade is a criminal trade carried on in contravention of the laws of Jamaica, laws which the Prime Minister and the members of his Government swore oaths to uphold, is apparently not, in Dr. Stone's opinion, a 'good national reason'.

Indeed, he finds a 'good national reason' for ignoring the law: "ganja and the ganja trade remain the most important source of earning additional foreign exchange". This is said without evidentiary support: nobody knows how much the ganja trade, at its best, brought in.

But let us suppose it to be true that there are millions to be made there; and that, as Dr. Stone says, "The help we are getting from the U.S. government is small compared to the income we will be foregoing by disrupting the ganja trade". What then? Is cash to be the only consideration? Because if it is, why don't we transform the cays around Jamaica into whorehouses for foreigners, and draft the most nubile of our 16-year olds into them? And why didn't we make better use of Starkey and Donovan Chin Quee by hiring them out to Murder Incorporated for a fee payable in foreign exchange?

(Notorious Gunmen)

It seems to me that before taking Dr. Stone's advice the Government would be wise to ask how, having done that, it would enforce any other law in Jamaica save by sheer, arbitrary, physical power or the threat of it. What principle other than the Mafia principle of brutality could it invoke? For it is in the nature of law always to be inconvenient to someone: and if convenience alone is to determine whether law is obeyed, not just secretly by individuals but openly by the Government, law is thereby deprived of moral authority and ceases to be law — as distinct from an arbitrary set of rules reflecting the will of the man with the biggest biceps, or club, or gun.

Which men are around, traffickers in drugs, disreputable at the moment, but waiting to be transformed into respectable businessmen on the strength of Dr. Stone's advice. Marx and Engels said of modern government that it was but a committee for managing the common affairs of capitalists. The effect of what Dr. Stone proposes would be to offer the government of this country for sale to Coptic and its companion dealers in drugs, in return for foreign exchange.

Not the least interesting aspect of the matter is that the value of the ganja trade depends upon its illegality. What Dr. Stone proposes does not even have the merit of making sense on the bottom line. For were the Government even to wink at it here, the local risk would be reduced, and so in consequence would the local value. Ganja would sell in Jamaica at the price of calaloo and the money would be made, as most of it even now is, getting it into the United States and selling it there. (Conspiracy-like vagabonds

What if the United States then legalised ganja? We would be left with criminal organizations, grown fat under government sponsorship, suddenly deprived of the means by which they made their income, casting about for others, and totally unscrupulous.

Moral repugnance is not by any means the only reason for shunning what Dr. Stone proposes. It is the kind of proposition for the conduct of international relations that is fraught with the most appalling dangers for the small and the weak. The United States is vastly more capable of exploiting the want of scruple advocated by Dr. Stone to our detriment than we are of exploiting it to theirs.

But the Iranians, in seizing American hostages, probably felt quite confident that the Americans would not have brought themselves to retaliate in kind. The Third World has a way of convicting itself of inferiority!

The Sunday Gleaner, July 26, 1981

What's to be done about ganja?

By
MORRIS
CARGILL

THINGS ARE seldom nice and simple and straightforward in this imperfect world; the problem of ganja is a case in point. I don't believe that it is possible to legislate people into morality.

The most well-meaning but most disastrous example of trying to do this was prohibition in the U.S. Prohibition never stopped anyone from drinking. It made the price high, killed a lot of people with bad alcohol, and set up a nationwide network of gangsters which has permeated and will continue to permeate U.S. society for at least a century after prohibition was abolished. The consequences of this attempt to save people from themselves were wholly evil.

The law has no business trying to save people from themselves. I think people who drink too much are unwise or, in the case of true alcoholics, suffering from a disease. But if someone wants to drink himself into a cocked hat that is no business of the rest of us so long as he does it quietly without making a nuisance of himself.

I take the same view of the use of ganja. Whether "harmful" to the user or not seems irrelevant and probably unprovable; anything can be harmful used to excess. The problem is to define "excess". All the heavy users of ganja I've met seem addled, but that's no proof that ganja made them so. It is at least equally possible that they use ganja heavily because they were addled in the first place.

In any event that is their problem, not society's. So long as they don't create a nuisance for the rest of us it seems to me that they are entirely entitled to dissolve what brains they have on any grounds they wish to claim including, religious grounds, if that is what they want to do.

Public evil

The great public evil which has arisen from ganja has been a consequence of the attempt to suppress it.

In discussing the matter, let us be quite clear what we are talking about. The only provable public evils arising out of the use of ganja have been created by the laws against it. These laws have brought a new gangsterism into being and have created a vast system of currency manipulation which defies, and will continue to defy, all efforts to stop or control it. These social evils are profoundly disturbing.

The laws have also created another social evil which, in the long run, may be more serious than all the rest. At present, the use of ganja is illegal. But that law is not wholly enforced. It is cynically used when the possession, or alleged possession, of ganja seems the only means by which the police can hold someone they want to hold; otherwise the possession and even public flaunting of the use of ganja is ignored. It is only in cases where ganja is exported that the law is seriously enforced.

We are thus teaching people to ignore, in great part, the law of the land. This cannot be done in one case without imperilling the whole structure of law. It is the beginning of an anarchy which even now is distressingly prevalent in Jamaica. If the lawmakers themselves do not take their own laws seriously, or if they use them cynically for reasons of opportunism, how may they expect to have any laws taken seriously!

No easy answer

It seems at this point that we face a paradox. On the one hand we have the private use of ganja, against which it is both pointless and wrong to legislate. Yet arising out of this use we have a situation which is very much a matter of public concern, which is the proper sphere for legislation. The question is, what has created the public evil: ganja, or our laws against it? What do we try, legislatively, to abolish? The use of ganja, the gangsterism connected with its export, or the laws themselves?

In this case there is no easy answer. We may, however, return for a moment to prohibition in the U.S. to help us to clarify our thinking. Whisky, for instance, was never illegal in Scotland (God forbid!) where it is made. It was never illegal in the Bahamas which was one of the main places from which it was bootlegged into the U.S. So vast amounts of whisky came from Scotland to the Bahamas for shipment to the U.S. without causing any gangsterism in either country. The actual rum-runners took a risk, of course, but they were not operating outside the laws of their own countries. Indeed, rum-running was a legal, clean, healthy out-door sport fit, in my view, for gentlemen with a taste for a spice of danger. The gangsterism arose wholly in the U.S.

The U.S. is entirely entitled to make decisions about its own nationals, as it did (mistakenly) in the case of prohibition. But it had no right, and in fact at the time of prohibition did not try, to export the gangsterism arising out of it to the Bahamas or t Scotland. The U.S. did not put pressure upon Sco land to prevent the manufacture or export of whisk nor did it try to police the internal affairs of th Bahamas. The putting of pressure upon other coun tries to outlaw, within those countries, the productio or export of something the U.S. didn't want is some thing quite new.

Of course, at this point, it must be said that th matter of whisky, and the matter of ganja are no exactly on all fours. Whisky never was illegal i either Scotland or the Bahamas. Ganja has alway been illegal in Jamaica. The U.S. Government i precisely entitled to say to us, as it was not entitle to say to Scotland, that we should in U.S. interest enforce our own laws. Besides, we are among th signers of an international agreement against the Gan ja trade.

But the sorry reality is that we can't enforce ou own laws against ganja; nor, in practice, live up t our treaty commitments, and the more we attem to do so the more gangsterism we shall be creatin. So what is the proposal? That we should invite th U.S. to Jamaica to enforce them for us? An absur proposition, especially in view of the fact that th U.S., is no more able to enforce its own laws agai ganja in the U.S., than it was able to do so agai whisky during prohibition.

An analysis of the situation seems to disclose, ther fore, that the evil public consequences of ganja ar not from the use of ganja, but from the nature our laws against it. In which case the only sensib thing to to is to repeal the laws.

The irony

The irony of the whole thing is that, in some pa of the U.S., the laws against the personal use of ga ja are less stringent than they are in Jamaica. The is much pressure in many places in the U.S. whil legalise ganja. It would be a sour joke indeed if U.S. legalises ganja before we do, leaving us hold a big bag of gangsterism.

Finally, there would, I think, be one additio benefit from the repeal of laws against ganja Jamaica, from the point of view of the consume Prices would rapidly fall. And the money wou come to the surface. Reputable businessmen wou enter the trade. By the term "reputable" I mean rep table, relatively speaking, in a rise, a notch or tw from the present ganja gangster to those who opera screw driver industries.

The government might even set up a Ganja Gro ers Co-operative. But let us not say too much ab that. Nobody wants to kill the production of ga stone cold dead.

Understanding ganja

By
Carl
Stone

In the marketplace there is a number of commodities which are known to do harm to consumers. Some of these are banned while others are produced for sale in circumstances in which consumers are sometimes warned of these dangers.

I certainly agree with Fr. Daniel Egan that ganja is one such product. But the same case that he argues in relation to ganja can and should be argued in the case of tobacco and alcohol. Fr. Egan is right about one thing. As an anti-ganja person he has sought to educate users about its dangers. That is clearly a more fruitful (though difficult) approach than the futile effort to bust the trade by pressuring growers and dealers.

Before we moralise and pronounce pompous legal edicts on why the ganja trade should die we need to study carefully how it grew in the 1970s and how our governments have treated the trade.

In the 1970s U.S. lifestyle changes influenced by hippies, rock music, political protest, anti-war movements, the youth culture and the growing counter-cultural trends among younger age cohorts created more liberal attitudes towards drug use and indeed promoted the use of drugs in the search for newer dimensions of meaning and identity. This increased the demand for ganja. The liberal political establishment eased the laws affecting users of ganja and drew a clear line between tolerance of ganja smoking and continued harassment of users of hard drugs.

On the other hand, pressure was concentrated on the ganja dealers and the growers. In other words, the actions of these U.S. officials and the lifestyle changes in the U.S. converted ganja into a multi-million dollar industry. Demand peaked to very high levels in the 1970s while harassment of dealers and growers kept the price and rate of return at very high levels. The billions of dollars turned over in the trade provided the motivation to defy the legal and police pressures. The profits were too big to kill the ganja by mere narcotics policing of the trade.

Even when a major supply source is wiped out as was done in the case of Mexico what happens after is that other supply sources get into the act and fill the gaps.

To really destroy the ganja trade in Jamaica (which is primarily an export trade) the Seaga government would have to create a second army equipped with chemicals, weapons, planes and helicopters and assign them full-time to wiping out the trade, as was done in Mexico. But this is a multi-million dollar exercise which would have to be bankrolled by the U.S. Only a government unconcerned about re-election would ever attempt that.

My feeling is that the pressures being brought by the JLP government on the trade are really a short-term device to satisfy Reagan, but it really has no prospect of doing any serious permanent damage to the trade. Some of the difficulties being blamed on the JLP by the trade have nothing to do with the JLP but are due to increased anti-narcotics strategies being carried out by Reagan in the Florida area. The JLP in my view is doing what most earlier governments have done. They take action against ganja growers and dealers, publicise it and use it for propaganda value in their bargaining with their U.S. backers. My feeling is that given the seriousness with which Reagan treats the issue, the JLP has probably had to lean more heavily on the trade than is the usual manner.

All the proud boasts by the Minister of Security as to how he intended to wipe out airstrips and bust the trade mean very little as he does not have the resources to crush the trade, while fighting crime at the same time.

An interesting fact is that while the level of ganja production expanded massively in Jamaica in the 1970s local food production was also going up. Between 1972 and 1979 domestic agricultural production increased by 50%. It therefore cannot be said that ganja produc-

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Understanding ganja

(Continued from Page 10)

tion has caused a downturn in local food production as some commentators have claimed.

I am rather amused and unimpressed at the Prime Minister's statement that the flow of the trade to the U.S. has declined, because neither he nor the narcotics people have any precise data on the volume or value of the trade. The figures being bandied about are mere "guesstimates". The trade could well be larger than the usually quoted figure of $1,000 million.

It is certainly high time that the government stop playing games with ganja and at least make an appraisal of what is the annual outflow of trade and flow of income earned from the ganja business. How can a government make a policy on something it is guessing about? But you see, if we treat the issue as either a legal or moral embarrassment and refuse to treat it as an economic commodity we will continue to do nothing but play games with ganja, while overseas dealers cream off most of the foreign exchange earned by the trade.

The moralisms and legalisms of those who share the Perkins/Gentles/Gregory view of ganja is not going to have the slightest impact on the fact that ganja has become an economic commodity and our failure to devise rational policies to maximise local benefits from the trade will only perpetuate a situation of less than optimal flow of benefits from the trade to the society.

A dishonest feature of the present moral war against the weed are the subtle efforts by the U.S. media to treat ganja as if it were indistinguishable from hard drugs like cocaine and heroin.

Why discriminate

I don't use ganja or any such drugs and I share Fr. Egan's view that it is harmful but no more so than tobacco and alcohol from which legitimate corporations earn big profits. So why should the law discriminate against the weed?

It would seem from the rather emotion-laden comments on the subject by several writers since my initial column on ganja that some persons feel thoroughly threatened by the views I expressed. It will be interesting to see what the public opinion polls show the national opinion to be on the issue in the July poll.

Perkins' column last week Tuesday on the subject was quite unfortunate. He spent a whole column trying to ridicule and belittle my writing in a most puerile manner and then proceeded to use isolated quotations from his column to deny precisely what he said explicitly and implied throughout most of that column. Frankly, it would be dishonest of me to ask the Gleaner Company for a fee for writing a column on such trivia. I must therefore express my regrets to any readers who had mistakenly thought that I would debase the currency of journalism by replying to such obvious rubbish.

GANJA:

by LLOYD WILLIAMS
Gleaner News Editor

Jamaica's ganja industry is the island's biggest open secret. It is also the nation's biggest private business.

Time magazine in its June 8 edition estimated Jamaica's marijuana (ganja) trade as earning US$1 billion annually. Newsweek, Time's rival, reported in a cover story on "The Booming Drug Trade", on February 9, 1981 that Jamaica had become the second largest foreign supplier of ganja to the United States, after Colombia. According to Newsweek, the ganja trade between Jamaica and the U.S. is worth US$1.1 billion a year — about J$1,958,000,000.

In testimony on March 30 before a joint meeting of the House Inter-American Affairs and Judiciary Committees, Drug Enforcement Administration Director, Peter Bensinger, said Jamaica was the most rapidly-growing supplier of marijuana to the United States, probably surpassing Mexico as the No. 2 source.

Means of severing the Jamaican ganja connection with the United States were reported to have been discussed at the White House by U.S. President Ronald Reagan and Jamaican Prime Minister Edward Seaga in January. Since then, top officials of the U.S. Drug Enforcement Programme have asked Congress for US$37 million to continue international narcotics control efforts in fiscal year 1982. About 50% of the funds requested for programmes in foreign countries (US$15.6 million) in for the Latin American area, including Jamaica.

Major problem

Ganja, it would seem, is a major regional problem, but not one which will either receive any of the agricultural incentives proposed in Prime Minister Seaga's Budget speech of May 28, or the consideration of David Rockefeller's U.S. Business Committee on Jamaica.

Ganja, or Cannabis Sativa, the botanical name, was introduced to Jamaica (and to Trinidad and Guyana) in the mid-19th Century by East Indian indentured labourers. In India, it was regarded as a "holy plant" by both Hindus and Moslems alike.

Ganja was later found to have corroding effects on the minds and bodies of these sugar estate workers and their capacity to work, so legislation was passed, according to one source, to protect people from the drug.

(Up to about 1969 the law against the cultivation of ganja recognised only the pistillate plant; that is, the female of the species. In the case of the R.V. George Green (1969 16 West Indian Reports, 201) the Jamaican Court of Appeal, by a majority, ruled in effect that ganja is ganja within the meaning of the law, only when it is proved that what is possessed or cultivated or smoked is the female plant, the pistillate, as distinct from the male, the staminate. In a subsequent case on April 13, 1973 the Court of Appeal, in the case of Logan McLeod, made it clear that the prosecution was under a duty to prove conclusively that the ganja complained of was of the "female" variety. On April 16, 1974 the Governor General gave his assent to Act 16 of 1974 amending the Dangerous Drug law (Cap 90) deleting the word "pistillate" in the definition of "ganja." From then on, when a person is charged with having ganja in his possession it was no longer necessary to enquire into the gender of the plant. In short, Parliament ruled that ganja is ganja, be it pistillate, staminate or monoecious.)

'Weed of wisdom'

Mandatory imprisonment for breaches of the ganja law was introduced in 1964 but was abolished in 1972.

In Jamaica today it is smoked by thousands of Rastafarians, to whom it is "the weed of wisdom", and by members of the Ethiopian Zion Coptic Church who say it is a sacrament of their church. It is smoked by thousands of others — proper middle-class young men, ghetto youths; people of every stratum of society of every age group, of every income level, of every occupation, of every residential sector, for the pleasure — real or imagined — that it gives.

It is drunk by thousands more people as a cure-all, steeped in white rum or wine; it is used as a tonic, and is taken as tea. The young plant is steamed and eaten like callaloo and believe it or not, there is even "collie cake". ("Collie" is one of the local euphemisms for ganja). Over the last several years, at any large political meeting anywhere in Jamaica, or a big football match, ganja is smoked freely. In many Kingston cinemas, one is never sure where some patrons' exuberance is not due to the ganja smoke they have inhaled right there.

Although the ganja plant has been here for some time, Jamaica has never always had the big market it now obviously enjoys. Until around 1963, most of the ganja into the U.S.A. was from Mexico. In that year the U.S. Government instituted a serious clamp-down on the trade by stringent inspection along its border with Mexico, and at other points of entry. This drive forced the American dealers to turn to alternative sources of marijuana — and to Jamaica which is just about two hours' flying time from South Florida. It is estimated that by 1974 some 70% of Jamaican ganja was going to the U.S.A. The percentage in 1981 must be nearer to 96%.

Ganja parish

Ganja for the export market is grown all over Jamaica. The following reconstructed exchange took place recently between a Kingston man and a farmer in a well-known ganja area:

City Man: "John Brown has some land at … . He wants somebody to plant some ganja there for him on a business basis. Do you know…." The cultivator's laughter cut him short: "Yu mean to say that them still have somewhere at where no ganja naw grow?"

Although St. Ann, on the north coast, the "Garden Parish", is generally regarded also to be the "Ganja Parish", vast acreages of ganja are also to be found in rural St. Andrew, St. Thomas, Portland, St. Mary, Manchester, Clarendon, St. Elizabeth, Trelawny, St. James, Hanover, Westmoreland and St. Catherine — all the parishes. Indeed, if the C.I.A. were to offer to buy all the ganja plants in Jamaica — to destablise the

Jamaican economy, of course — it would be surprising how many ganja plants urban Kingston would produce.

There is the story, perhaps apochryphal, of a Mona Heights, Kingston, householder, who a few years ago had a visitor who discovered a ganja plant in the householder's garden. Alarmed, the householder made a more thorough search of his holdings and found several more ganja plants. He told some neighbours what had happened. They too went through their gardens, plant by plant, found several roots of the "weed." After hours of perplexing discussion, they found the source of the ganja plants — they all had the same gardener!

Mum is the word

Prosecution for breaches of the Ganja Law were 474 in 1954. By 1976 they had increased to 4,195. In 1964, a total of 136 people were imprisoned for ganja, as opposed to 2,504 for all other offences. But although Jamaica's ganja industry is its biggest open secret, information or up-to-date data or statistics on ganja do not come easily — not even from official sources. The police Narcotics Squad refused outright to give the Gleaner an interview on ganja, and other official sources did not find it possible to offer any help even after months of requests.

Although ganja growing, smoking and trafficking have been illegal here for some 100 years, the industry continues to flourish. People knowledgeable about the industry say there are some 8,000 ganja cultivators in Jamaica, much of their produce finding its way into the export market. Of course there are thousands more who plant a few roots of the herb among their cash crops or in their kitchen gardens, in their backyards, or in pots on the balconies of their apartments, simply for their smoking pleasure.

Ganja cultivation is expensive and time-consuming business. Ganja farmers say the plant takes to a variety of soils. "But the red land agree with it. It bring out the crop quick," says Farmer B, a Clarendon farmer. Cultivation methods vary, but first the seeds are sown, like tomato seeds, say, in a nursery. Ganja seeds are expensive, fetching prices of up to $50 or 100 a quart in some areas. According to Farmer B he recently sold three matchbox -- fulls of ganja seeds for $10 each.

The seedlings are allowed to grow in the nursery for about a month by then they should be about a foot high. They are then transplanted to the field. For the export and commercial market, ganja is planted in a field by itself. For domestic or personal use it is planted among other cash crops such as corn, cassava or peas. For purposes of disguise, gungo peas are sometimes planted on the periphery of a ganja plot. But once the land is available, it is planted separately and apart from anything else.

Round the clock watch

Farmer C, a St. Ann man, keeps his ganja fields free of any other crops. Most farmers in St. Ann, he says, "don't deal with ganja alone, they keep their food crops separate.". The reason, he says, is that in the past when the police have raided the mixed fields they have reaped or desurbyed the food crops as well as the ganja.

According to Farmer B, ganja plants need a lot of water and must be watered at least every four days. Some ganja farmers use inorganic fertilizers, but the herb thus nurtured is not popular among ganja smokers or buyers, local or foreign. Says Farmer B: "The fertilizer one can't take the market". If fertilizer has to be used, he says, it should be poultry manure or bat droppings. The inorganic fertilizers "make the trees too big. It make the ganja mad".

After being transplanted from the nursery, the seedlings must be watered often and their roots weeded to prevent grass from choking the plants. Also, they must be sprayed with insecticides to prevent bugs from eating the leaves. Ideally, each ganja seedling should be about two feet apart, the trees grow sometimes to nine feet and higher.

The crop comes to maturity about five months after the seedlings are transplanted. Tending the plants to that stage takes time and money. Because the field is usually in an inaccessible area, miles from civilisation, the farmer often has to live in a hut on the edge of the field for months to give the crop the attention it needs.

As the plants begin to "cullie" (flower) and the seeds start to ripen, the farmer has to be on guard against bird such as baldpates, ground doves, parrots and parakeets which all like feeding on ganja seeds. Slingshots and scarecrows made of tin pans and bits of cloth are the standard bird-scaring equipment in any ganja field. Another popular form of scarecrow are magnetic tapes from cassette or reel-to-reel tape recorders. Strung up, these tapes "sing" in the wind, scaring off the birds.

Until the ganja crop is bagged or compressed and taken away to whatever destination, the farmer or his hired hands have to stay in the field round the clock. It is not unusual for bags of ganja to disappear from a hut while the farmer or hired hand has gone miles away to the nearest village to pick up food supplies.

Finding a buyer

After the crop comes to maturity, it is then that a delicate stage of the operations begins -- finding a buyer. There are buyers and buyers. There is at least one big outfit which will buy a ganja field as is and where is anywhere in the island. This buyer will then move in his reapers, do his own packaging and arrange his own transportation — internal and external. Although selling a ganja field means less trouble and fewer risks for the individual farmers, most do not like this type of sale because, they say, they lose money on the transportation.

But Isn't Seeking a Buyer a Risky Operation?

"No, sah," says Farmer B. "All you have to do is to let certain people know that you have a whole heap of ganja to sell, and a buyer will contact you."

But Farmer B who has been in the ganja business for years, prefers not to do business with the Jamaican buyer. "Them too cheap, sah. We prefer the plane man them, the white man them.

The Jamaican buyer went to give you only $60 a weight but the white man they buy good. The man them to get in touch with is the 'plane man' them."

Farmer B has been supplying a set of ganja plane pilots for about six years. "I supply them all the while." At least seven ganja planes make the trip each week to the illegal airstrip in his part of the woods. For some strange reason, according to Farmer B "The plane them don't come on Wednesdays."

Contact is made with the foreign buyer — usually a white American — in his (the farmer's) country town. The buyer, who is usually also the ganja-plane pilot, or, on rare occasions, the other person on the flight, orders how much ganja he wants and instructs the farmer which airstrip he is to take it to, and when. The flights usually come in at nights although day flights are not uncommon. Some of the illegal airstrips even have navigational beacons to guide the ganja-plane pilots. Whether the ganja is bagged, compressed or parcelled before delivery depends on how the buyer wants it.

Farmer B sells his ganja cured. The drying process takes about four days. The leaves and sections of the stem are cut off. The stem is in demand. Hashish oil is made from it in the United States. A tarpaulin is necessary for the drying operation. The ganja is spread on the tarpaulin in the sun and is turned regularly so that all the leaves are given maximum exposure to the sunlight. It is then put out at night again for dew to form on it. In about four days, it is "cured" and ready.

Farmer C explains that if dew is not allowed to form on the ganja, it will become too crisp from the exposure to the sun and it will "mash'. "It come back soft in the dew."

Cash-at the plane side

Farmer B sells cash on delivery at the plane side. To get it to the airstrip "we carry it in a car or sometimes on we head to the airstrip," he explains.

But are you not afraid of the police?

"Cho, sometimes the police them see we a walk on the road with it on we head and them just laugh and gone."

At the pre-arranged time, the ganja plane lands at the illegal airstrip.

"Sometimes him use him lights, sometimes him don't use it," Farmer B says of the pilot.

Farmer B has had a good and long-standing relationship with the "plane men". Farmer B speaks of his pilots with admiration and respect. "You can put on your pot and wait on them," he says. "Them buy good, you know sah, so you can't jinnal them."

Farmer B explains that there are four types of ganja in his area: McConey, Sensemelia, the "Burr" (which seems to be a strong type of Sensemelia and the "Bush". (Strangely, the Coptics who are knowledgeable about ganja, says there is no such thing as "Sensemelia". They say it is purely a commercial term invented by the Americans. In any case, they say "Sensemelia" means without seeds, and there is no truly seedless ganja).

The "Bush" is the least sought-after of all and as such fetches the lowest price. If there is ever any "Bush" in his supply, Farmer B says, he points it out to the "plane man". "Most time we give them Bush for nothing." He says the Bush is light, meaning that the smell is not as strong as that of the "Burr" which, he says, feels "gummy".

Loading operation is swift. Landing, loading of 88 bags of ganja, and take-off is sometimes done in 15 minutes. Sometimes the weed is loaded without the aircraft's engines being cut. Payment is strictly on the cash-on-board basis.

But Farmer B, and one buyer/pilot in particular, have developed quite a friendly and trusting relationship over the years. The 'nice' American brings items of clothing for Farmer B. Farmer B gives him bananas, yams, plantains and breadfruits. Some pilots even take their wives along on the buying mission, sometimes.

Farmer C says he reaps his herbs "when the leaves turn gold, when it is fit and ripe just like a mango." Before he sells, the buyer visits his field and looks at it himself or the buyer sends an agent. Farmer C says he employs about six young men to help him reap, paying them about ten dollars a day, each. Reaping could last for a week.

Farmer C says that in his locality there are six types of ganja. Rated according to their strength they are Cotton, Sensemelia, Lamb's Bread, Farmer' Bread, Collie Weed, and Bush.

"Cotton", he explains is the rarest c the lot, and out of a field of two c three acres you may get just one "cotto plant". Whereas a "stick" of the othe kinds of ganja sells for $2, a 'stick' c the "Cotton" costs at least $10. However he says, the "Cotton" is hardly sold an is generally kept by the farmer for hi own use. He explains that one "spliff" c "Cotton" or of "Sensemelia" could satisf a ganja smoker for a day. The sam smoker would probably smoke many 'collie' spliffs a day. "The 'Bush' he says, i generally used to make hashish oil Names given to ganja plants seem t vary in different parts of Jamaica.

Ganja and gun don't mix

Don't the ganja pilots bring gun too?

An unhesitating "no" is Farmer B' answer. Other people knowledgeabl about the industry say the same. "Gun i politics, and ganja and guns don't mix."

"Who me would sell the guns t sah?" Farmer B asks. "The plane man them have them gun" (side arms), Farmer B says, "but them don't bring guns Sometimes we ask them for guns. Them say 'no,' it is against the law and agains the public." Farmer B said there was no one instance during the several years that he has been dealing with ganja-plane pilots that he had ever heard of them bringing in, selling or giving guns to anyone.

Farmer C, the St. Ann ganja farmer, says he has never been offered guns as payment for his ganja and the ganja man is "not in league with guns. No way." He knows of people who had got that offer but they had turned them down. "The true-hearted Rastaman", Farmer C says, "don't like bribe by guns. They prefer the raw cash."

But haven't they ever given you or anyone else counterfeit American dollars and you have demanded payment in guns instead?

"No, sah," says Farmer B, "them naw give you bad money. Sometimes them tell you that them don't have all the money this time, but you will get it next time. Them always bring it next time."

A senior police officer, who is knowledgeable about the ganja trade, also scoffs at the guns-for-ganja theory. He said there were isolated cases a few years ago of American ganja-buyers paying for their load of "pot" with phony American money. The problem was sorted out quickly, but guns were never involved, except for the threatening ones.

The arrangement worked this way: the ganja-plane pilot would be accompanied on the pick-up run by another American who would remain behind in Jamaica. Accompanying the pilot back to the States would be a Jamaican dealer or his representative. In the United States, once it was established that the cargo was genuine "pot", arrangements would be made to pay for the cargo either there in the States or, on a telephone call, in Jamaica.

Of course, many an illegal passenger and many a brief-case full of US and Jamaican currency have left — and still leave — the island in this way. And much uncustomed goods, car parts, for example come in this way.

While there may be the isolated case of ganja plane pilot taking a cheap revolver to Jamaica for his dealer, people knowledgeable about the ganja industry have all discounted any connection between the ganja traffic and M-16 assault rifles, Soviet AKMs, M1 Enforcer carbines or Sterling sub-machine guns. To a man, they all agree that "gun is politics" and, as such, illegal firearms are not connected to the ganja traffic in any significant way.

Whereas Farmer B sells to foreign buyers, Farmer C sells to Jamaican buyers. Farmer B is in his 60's. Farmer C is 34 years old.

How did they get involved in ganja cultivation?

Farmer C turned to ganja cultivation in the hills of St. Ann, "after struggle reach me. I walked for days and months and couldn't pick up employment."

"I got into the suffering stage when I couldn't buy a pound of sugar for my three kids. I decided that I prefer to go into the woods and make an honest living (growing ganja) because I didn't want to steal and get in any mix-up. I tek the jungle for it. I check a brother and through groundation I get 10 quarts of seeds free. I lost the first crop because the seeds spoil because of the drought. They didn't hatch. I tried the second year with the little seeds that I gather from the 10 quarts and I find much more progress."

From then he has never looked back.

Farmer B got into ganja cultivation after his brother was imprisoned for cultivating ganja. While his brother was serving the term he took over what was left of the brother's ganja field and established one of his own to enable him to support his brother's children. The brother has been out of jail for some years now. Both of them have fairly extensive ganja cultivations.

Farmer B says he has never regretted his decision to become a ganja farmer.

— NEXT SUNDAY: THE FACELESS "MR. BIG".

On Sunday, June 28, 1981 LLOYD WILLIAMS looked at ganja farming and how the ganja industry operates. This final instalment of the two-part investigative report focuses on some of the nameless people involved in the ganja industry, the benefits they derive from it, and whether the ganja industry can be stamped our or should be legalized.

Speaking in Washington D.C. on January 29, Prime Minister Seaga said that while it was true that the ganja trade has some rub-off on the Jamaican economy the benefits were primarily to persons in the United States, to which most of the money accrued. The U.S. National Narcotics Intelligence Consumers Committee estimates that in 1979 ganja trafficking at the retail level in the USA was worth between US$15 billion and US$22 billion. It is difficult to quantify how much of the money earned from ganja exports finds its way into the Jamaican economy, but it is safe to say that it is more than just a "rub-off".

Farmer B and Farmer C are just two of an estimated 8,000 professional ganja farmers who plant the "herb" full-time for sale to the local or foreign market. A few months ago Farmer B sold five crocus bags of ganja for a total of US$14,000. A couple of weeks ago he sold four more. Like Farmer C, he reaps three crops of ganja a year. Farmer B says he has built a "nice six-apartment house" out of ganja money. His brother has built a few nice houses out of ganja and has also bought two minibuses out of ganja. Farmer B has a hefty bank account. He says he doesn't have to work. He does some odd jobs just to have something to do.

Farmer C used to work for $10 a day, as a labourer. Now he makes $10,000 a year from ganja after he has cleared all his expenses. He has built a "nice four-apartment house" out of ganja money, and plans to add to the house soon. He has "set up my family right. If I was working outside I couldn't make that amount." Besides, he has a full-time job.

Find prosperity

He employs six men from varying periods throughout the year to look after his ganja field. In his part of St. Ann, ganja growing is the major form of employment. "Most people prefer to deal with the weed. They find prosperity in this business. Most of the youth in this area of the country," he says, "sees no progress" in working for $10 a day. Many of them prefer going into the bushes and staying there for up to six months at a time and plant ganja from which they can make $20,000 to $50,000 a year. He says that with a stroke of luck, a man could spend one year in the ganja growing business and get out, having got enough money to "set up himself." He adds: "You don't have to spend ten or twenty years in this thing."

There are thousands of people like Farmer B and Farmer C — men and women — who are involved in the ganja industry. The question has been asked whether the owners of the industry are philanthropic religious organizations, gun-importing Mafia buying the loyalty of national and local politicians, our local police, our local judiciary, even our local media representatives. Whoever they are the ganja big men are faceless and influential people.

Good relationships with police

No "Mr. Big" of the ganja industry has never been convicted. Of course, thousands of people have gone to prison or have been fined for smoking or possession of ganja. As usual, it is the case of: "The law locks up both man and women, who steal the goose from off the common, but lets the greater felon loose, who steals the common from the goose."

What is a fact" is that the list of people who over the years have been involved with ganja in Jamaica reads like the invitation list to the Governor-General's Ball. There have been politicians, policemen, soldiers, and other security forces personnel, company directors, businessmen, engineers, contractors, store operators, public servants, airline and shipping company staffers, aviation and marine pilots, air traffic controllers — just you name them. Indeed, if the STAR newspaper were to run a story saying that at exactly 12 noon today a large detachment of soldiers and policemen would be surrounding a certain house or apartment or office in a certain neighbourhood to arrest a certain "well-known member of the community", for trading in ganja you would be surprised to know how many "well-known members of the community" would disappear from home or office well before 12 noon.

Many people who grow and trade in ganja never go near the ganja fields, many of which are on government-owned Crown lands. They pay other people to do their cultivation, supplying them with money to buy the essentials which range from ganja seeds to food supplies, insecticides and fertilizers. If they have reliable an trustworthy agents working for them, then all these "distance" farmers do is to deliver the money or the supplies needed and collected either the ganja or the sales therefrom.

But there are still hundreds of others involved in the ganja industry. There are labourers such as are hired by Farmer B and Farmer C. Then there are the dealers who control the local trade. Some of the dealers — men and women — have been in business for years, supplying overseas partners regularly. These dealers usually have a good relationship with the police. "Very well behaved and respectful of the law," says one police officer. According to this senior police officer, some of the dealers go out of their way to befriend the police. The ploy is usually drinks: "Have a drink on me, man". When the policeman says: "Sorry, I have to leave now", the dealer's response is usually "O.K. then, buy yourself one," and a wad of banknotes changes hands. Apart from his friendliness, the dealer's hallmark is more often than not a flashy car with two-way radio. With good reason, a prospective buyer may have trouble recalling a name but he can always locate the dealer by his car.

The two-way radio is vital to the ganja business. It is important that there be continuous contact between either airplanes or ships and the contacts on land and among the different ground stations. After all, if the coast is not clear, millions of dollars could be lost and people could end up in jail.

Airstrips rented

Then there are people who rent airstrips for the use of which the pilots have to pay landing fees. Some of these operators also arrange for refuelling of the aircraft and for the packaging of the ganja whether in crocus bags (each weighing between 80 and 100 lb) or compressed in 32 lb packets, or other sizes. They also arrange for delivery either to plane side or aboard ocean-going boats.

The ganja industry employs far more people, therefore, than would appear at first blush. And if one has any doubt about the amount of ganja money that has "rubbed off" here, one only has to drive through some of the hilly country in St. Ann. St. Ann is a fruitful parish and its soil is fertile. Both the Kaiser and Reynolds bauxite companies operate there. St. Ann is a prosperous parish. Driving through hilly country, one sees hardly any little board and zinc houses or modest concrete nog houses which are so typical of some parts of rural Jamaica. Instead Barbican, Norbrook, Cherry Gardens and Havendale and and glass residences stand proud in the middle of nowhere. And more often than not there is at least one car in the garage; and these are not a few isolated scenes.

These sights repeat themselves for miles and St. Ann is just one of several parishes where ganja abounds.

In many parts of Jamaica ganja is called "the poor man's friend". To many, it is people's only hope. Farmer C speaks for many when he says: "In this business you can spend a year and set your family right. You can build a house, buy a car. You can live a comfortable life. I have seen guys who couldn't change their pants and since this ganja business ... they can change dozens of pants now. It helps a lot of people in Jamaica".

Ganja is exported by air and sea. In January 1970 it was estimated that there were 40 private airstrips in Jamaica. Today the number of private, official and illegal airstrips must be nearer to 120. Some of the illegal airstrips are camouflaged in a variety of ways. A favourite ruse is to put easily-moved shacks on them when they are not in use. Some of the ganja flights leave from official aerodromes. These flights, usually at night, are arranged by people with the "right connections" after the aerodromes are closed for the night. An aircraft will fly into say Tinson Pen Aerodrome in Kingston – the island's busiest – on a quite legitimate flight. Aviation fees and other duties are paid and a proper flight plan is filed for the onward journey – usually to South Florida, the Bahamas or Bermuda. "Connections" are made and the herb is flown to Tinson Pen in other planes from an illegal airstrip or from a private or official one such as are used by crop-spraying flights. The "herb" is then transferred to the visiting plane under the cover of darkness. The aircraft then leaves with its cargo of "grass".

The "missing" flights

It is not unusual for five or more aircrafts to be reported "missing" on any one day by the Control Towers at both the Manley and the Sangster International Airports. These "missing" planes would have filed flight plans from either of the two international airports but because the airports keep in touch with air traffic only by radio and not by radar, these aircraft break radio contact after take-off, divert to illegal airstrips, pick up their cargoes and head home. They are never really "missing". However, many get caught here. In 1980 the security forces seized 65 light aircraft, five ocean going boats, ganja valued around U.S.$400 million and arrested 200 people for trafficking in ganja. But for every plane seized, ten may have accomplished their missions.

CAN THE GANJA TRADE BE STAMPED OUT?

Chief Elder Keith Gordon of the Ethiopian Zion Coptic Church, says "No." According to the Coptic's Nyah, "Them can't stamp out creation. To stamp out ganja they will have to stamp out the people. Ganja is a seed of life.

"Ganja make the little man taste the (national) cake. It make him come up beside them (the rich) and sit down on his verandah too. The people make it, they prolong it, the people want it. It is the people's life. They can't stamp out nothing. Are they going to stamp out the people?"

In testimony before a joint meeting of the House Inter-American Affairs and Judiciary Committees in Washington, D.C., on March 30, the U.S. State Department's Bureau of International Narcotics Matters said it was beginning a Caribbean Regional Narcotics Programme aimed at establishing better narcotics co-ordination between the U.S. and Caribbean countries, including Jamaica. The main thrust, it said, would be to improve interdiction in the Caribbean and pursue eradication efforts if necessary.

Eradication of ganja in Jamaica by spraying with paraquat or by any other means is physically impossible. To begin with, banana farmers cannot get their crops sprayed properly, and regularly. How then are much less accessible ganja crops going to be sprayed? Besides, hundreds of ganja farmers still plant the herb among their food crops.

Newsweek reported on June 1 that US State Department researchers had developed a chemical spray nicknamed "Essence of Skunk", that could turn fields of marijuana into stinkweed. According to Newsweek, when the sprayed ganja is ignited or baked it gives off fumes so putrid that a State Department Conference room used in the tests had to be vacated for two days. "Before the skunk essence can be sprayed on marijuana, however," Newsweek said, "scientists must find a way to keep it from fouling the soil and contaminating legitimate crops that would replace the grass". So much for that.

Crop Substitution is also out. Regardless of how buoyant the Jamaican economy becomes, the ganja trade is not likely to play a lessening role in economic activities here. Farmer C tells why. "Even if you plant 1,000 banks of yam, you can't get from it the money you would get from one acre of ganja".

But one factor that cannot be overlooked in any attempt to stamp out the ganja industry is the degree to which some members of the security forces here are involved with it. It is no secret that some members of the security forces are involved in the trafficking of ganja. Police Commissioner Wilbert Bowes himself acknowledged this on May 28, 1981 while addressing the 56th annual conference of the Jamaica Police Federation at its headquarters on East Street, Kingston. He said bribery and corruption were areas of division in the Police Force. He said there were several policemen who were involved in ganja-trafficking, controlling clandestine airports all over the country. If any member of the Force was caught in such activities, he said, "the question of his remaining with us in nil."

About two years ago I overheard the following conversation in a certain mid-island town: A motorist, trying to track down a certain police officer, was seeking the help of a handyman/gardener: "Don't you know Detective Sergeant So and So. He drives a so and so car. He should have come here just a few minutes ago." The gardener had instant recall: "You mean the ganja man, sah." It was a shocking experience.

Farmer B tells of what goes on in his area. "Soldiers from Camp come for know sah. The first time me see them me frighten. Me say 'Jesus God' and start to look to run. But them (other ganja dealers) tell me say is all right and the soldiers them say 'Everything cool,' and is airport them a carry it go."

During the last two years or so there have been at least one military officer and two police officers who have made unscheduled trips abroad aboard ganja planes when ganja-loading operations in which they were involved were raided by other members of the security forces. Not risking being caught in the act, they ran aboard the ganja planes and presumably returned to Jamaica in the same manner.

And, of course, many a ganja boat master or arranger of the pick-up run, know they have to play the game: "Ship sails. How far? How many dollars on board?" or they won't get very far out of Jamaican waters. And then there are the various protection rackets.

Recently there was a case of soldiers going to a certain police area to secure an airstrip from which ganja flights were being made regularly. The police officer whose co-operation the soldiers had to seek, and who is reported to be heavily involved in the ganja trade himself, promptly sent them to a disused airstrip, deliberately concealing the location of the active one.

Soldiers detained

In September a light plane landed at the Tinson Pen aerodrome during a power-cut, after the aerodrome had been closed for the night. A police patrol went to investigate and was barred by soldiers on the ground that a military operation was underway and the aerodrome was off bounds to all but the JDF. The police did not accept that argument and summoned reinforcements which were slow in coming. Eventually a senior JDF officer arrived and gained entry, but by then the ganja plane had departed, and so had the soldiers. Some were detained later, however.

One night in October, a couple of weeks before the general election Police Radio Control in Kingston got wind of unusual activities at the same aerodrome after it had ceased operations for the night. A police patrol dispatched to investigate was denied entry to the aerodrome by JDF soldiers. The Police contacted JDF headquarters at Up Park Camp and a detachment of soldiers headed by a high ranking officer was sent to Tinson Pen by helicopter. However by then the ganja plane had flown but some soldiers were again detained.

The majority of policemen and women and J.D.F. personnel serve conscientiously however. One police officer, whose probity is beyond question, explains that he does not have anything as such against ganja. But, he said, often ganjamen cheated one another and the aggrieved party inevitably informed on his colleague, resulting in police raids for which the police were really not to be blamed. "It's just that we have to carry out our duty," he explained.

Decriminalization unlikely

Over the years there has been talk in Parliament about decriminalizing ganja, but to date nothing has come of the suggestions. In December 1977 the Joint Parliamentary Committee on Ganja suggested that personal use of ganja be decriminalized and that persons found using up to two ounces of it on private premises should not be liable to punishment. The committee recommended a continuing study of the problem.

It is uncertain whether the committee has continued its study since. What is known is that a decision by the Jamaican Government to legalize ganja will hardly be taken unilaterally. The U.S. Government in Washington, D.C. will most likely have a say. With the Reagan Administration having launched an anti-ganja offensive, it does not seem that there will be any move in Parliament here soon to put the Joint Committee's recommendation into practice, although the U.S. itself has been liberalising the use of ganja (marijuana) over the last few years, by softer legislation in different states..

For years there has been an on-going debate as to whether ganja should be legalized. The argument ranges from the Quasimedical (ganja is harmful, or ganja induces violence, ganja is no more harmful than alcohol) to imposing a levy on its production, like the bauxite levy.

SHOULD THE GANJA INDUSTRY BE LEGALIZED?

Farmer C does not believe that if the ganja industry were legalized many more people would get involved in its cultivation. "Many will still stay away from (cultivating) herbs," he says.

Farmer B, however, disagrees. "Legalze it? No, sah. Too much people a go plant it. I rather know that them lock me up and charge me for it than make it legal. Too much man would plant it that time and we won't get no market

they would rather see we plant it than break people house or hold up people The only thing I say about it is 'Don't fool up the plane man them with bad herbs' ".

On the question of legalizing ganja the Chief Elder of the Coptics who say that ganja is a sacrament of their Church says that to Coptics, "Ganja was always legal. They (the Establishment made it illegal. From they accept we as a Church, they have to accept our Church sacrament ... They shouldn't charge anyone for ganja, they should charge the Man. They can't blame me for falling in love with ganja."

Stating that everything God made was for the service of mankind, he said: "I never feel like a criminal, or like I was committing a crime, or feel guilty whenever I partake of ganja." Mr. Gordon said that when Emperor Haile Selassie of Ethiopia arrived in Jamaica in April 21, 1966, for his visit, "ganja was free". He said it was "the ganja cup" that had united the warring political factions in Kingston in February, 10, 1978, when political peace was declared.

The Coptics are one of the largest land-owners in Jamaica. They own posh residences, an aircraft, deep-sea fishing boats, a supermarket, gas station, furniture store, productive food farms and rice fields, a haulage company and some 400 motor units, including forklifts, lowboys, tractors and front-end loaders.

Some policemen have mixed feelings about whether ganja should be legalized. Their views have been influenced by what they said were the effects they had seen ganja-smoking have on people.

Devastating for young

According to one policeman: "It should be legalized. Why? "Because if you legalize it, it would reduce the market value. It is the danger that surrounds the risk why the price is so high at the moment.

"I don't think it does more harm than alcohol. The ganja man is not as dangerous as the drunken man. I have seen a man (high) on ganja and he could be led like a baby while the drunken man was very boisterous and could do bodily harm".

However, the detective continued, "The one danger that ganja possesses is that too many persons of tender age are allowed to use this form of drug. The effect on the teenager's young brain is different from the effect (it has) on a 35-year-old man. When ganja starts to work on a young brain, that youth's brain don't have any come back to come back."

Another policeman had a different view and he related a story to re-inforce it: "Just last week a family had a birthday party. Everything was normal. Then a fellow who is a member of the family went to smoke the stuff (ganja) and whether he oversmoked or what, I don't know, but he came back drunk on ganja. He took up a machete and started chopping just about everybody. About five people were admitted to the hospital, including some of his brothers, his sister and his mother.

"The following morning when I spoke with him he said: 'Boy, I don't know how it happened' "

The same po[illegible] er instance in which he had seen ganja have an adverse effect on a colleague. He said his colleagues and himself had raided a ganja field, and destroyed the plants. Later some of the guys decided they were going to have some ganja tea. About ten minutes after the colleague had had the tea the colleague started "a[illegible] strangely". He started smashing fu[illegible]re and fixtures and it took about six men to hold him. He was cursing a lot. He had to be taken to the doctor for sedation. It took him two days before he came to.

Another police officer expressed the view that no research had been done which says positively that ganja does not do any harm to human beings. Another told of the case of a man who had been acting quite normally one day until he had smoked some ganja. He then started chasing his sister with a machete. Then, stark naked, he chased a man down the street of the small town in which he lived. At the police station where he ended up, sweating profusely, he said: "See with me, officer. I don't know what happened."

This policeman said that when men were drunk on ganja it was as if they had been infused with added strength, whereas when they were drunk on rum they were easily subdued. "The fact is that ganja does not affect some people as it does others," he said.

A lot of people who became high on ganja and became violent, he said, had [illegible]

[illegible] he said, was also used as a stimular [illegible] production.

Another police officer said: "I don believe in the legalisation of ganja. I legalise it would be to have more insar people on the street. If it is legalised would be used as an instrument again the police and the good people of th society."

Pressure on

The ganja industry has not been i vibrant, buoyant self since the last fe months. The news is that the Securit Forces have begun to put pressure on th [illegible] airstrips by way of patrols and static duty personnel. The JDF Coast Guard i also reported to have become extra vigil ant in rounding up ganja boats. The result is that there are acres and acres o ganja that are now ready to be reaped, but buyers cannot be found for them. And with not much demand for the supply the price has gone down. Some farmers have said they have left their crops in the fields, others say they are reaping and storing.

Farmer C says he usually sells his ganja to a variety of local dealers for $12 a lb. The price is now down to a mere $[illegible] a lb. He sells to different dealers he "got to know". Most farmers would rather s[illegible] foreign buyers because they pay a [illegible]ch higher price. "M[illegible] people sell to one local man through them want to survive. Them sell out a little to the local market and keep the bigger portion for the foreign market." Most of the local dealers sell in turn to foreign buyers.

Fall in price

Farmer C has a whole field for which he cannot get any buyer, and many other ganja farmers in St. Ann and all over Jamaica are having a similar experience. Some of them, he says, are "thinking of taking it to mulch their yams". He said ganja prices used to be good in June, because that is planting time. Now the price in his area of St. Ann is down "and through you don't want it spoil you have to take what you get".

Farmer C blames the fall in price on the change of government but he is unable to explain why. Still, the lower price in itself is not really the problem, he says, implying that he could make up for it in volume. In his view, ganja farmers could make up for the reduction in price once they could get the traffic moving, but things are at a standstill now. He said he hoped the market would "clear soon and things return to normal".

"No-funds" licences permit the holders to bring in imported goods into Jamaica on the understanding that no foreign exchange is required in payment. In this regard, ganja is one of Jamaica's largest earners of foreign exchange. Under the no-funds licence system the parallel market created by the ganja industry is estimated to have brought in some U.S.$100 million in 1980.

The view has been expressed that to legalize the ganja industry would lead to an implicit devaluation of the Jamaican dollar and ruination of the ganja industry by Government bureaucracy. For a long time to come, the ganja industry, albeit the black market concern it is, is going to be with us. The ganja dollars have been finding themselves back here disguised as the offshore dollar imports, having been "laundered" by the no-funds licence system. The introduction of the Special Retained Accounts in foreign currency for "approved importers" will ensure that more of the ganja dollars get into the banking system here.

With the Jamaican economy in the poor state that it is, with unemployment so high, especially among the youth, it may be said that the ganja industry provides a stabilizing safety-valve on social discontent which finds fertile ground in joblessness and the other hardships which go with it.

Whoever is getting the cream of the ganja millions it is beyond dispute that a lot of the money filters down to the rural poor, and provides much employment.

The ganja plant is grown so widely throughout that it is not possible to eradicate its cultivation. Ganja has been here for some 100 years. I think [illegible] is going to be around for much much

PREPARED STATEMENT OF THOMAS D. BOYATT, AMBASSADOR, U.S. EMBASSY, BOGOTA, COLOMBIA

I am pleased to appear before you today to discuss the role of the American Embassy in Bogota in our joint efforts with the Government of Colombia to control the flow of illicit drugs to the United States. Before getting into the details of the problem and our responses thereto, I would like to emphasize two fundamental factors:

First, the activities of Embassy Bogota in combatting narcotics are not confined to the State Department. On the contrary, there are 11 agencies of the United States Government represented at the Embassy and one of my responsibilities pursuant to law and presidential directive is to coordinate and manage the efforts of all of these elements in achieving U.S. anti-narcotics policy goals. In one way or another virtually every segment of the Embassy contributes and certainly our Drug Enforcement Administration (DEA) contingent and our Narcotics Assistance Unit (NAU) are major contributors.

Second, the cornerstone of our international narcotics control program is cooperation with the governments of major producer and transit countries. Colombia is a major producer of marijuana and a major processor of cocaine and methaqualone. Therefore, what we do in Colombia is an integral part of overall U.S. activities. I welcome this opportunity to describe the operation of U.S. narcotics control policies and programs in Colombia.

Let me put the problem we face in context. Colombia produces approximately 70 to 80 percent of the illicit marijuana imported into the United States. The Drug Enforcement Administration estimates that 50,000 metric tons of marijuana could be grown and shipped from Colombia, primarily from the North coast, during 1981. Colombia is also the processing/distribution center for at least 50 percent of the cocaine HCL entering this country. Some coca leaf is cultivated in Colombia, but most cocaine transits from Peru and Bolivia as coca paste or base. In Colombia these derivatives are processed into cocaine HCL. The DEA estimates that 19-23 metric tons of cocaine HCL were exported from Colombia during 1980.

Within the past two years Colombia has become a major supplier of quaaludes destined for U.S. consumption, our best estimate being that 90 percent of the U.S. illicit market is supplied from Colombia. The raw material, methaqualone powder, is introduced by European suppliers into Colombia where it is diverted into illicit channels and entabletted.

The Colombian drug traffic network is reputedly the best organized, best financed, and most ruthless in Latin America. Marijuana is smuggled to the United States primarily by marine vessel, cocaine and methaqualone by air. Reports are increasing that Colombian guerrilla groups are utilizing drug trafficking as a source of income to pay for arms shipments.

It is clear, then, that the problems are enormous. What has the United States Government been doing to deal with these problems in Colombia? Our various responses fall into two categories -- operational and developmental, both designed to substantially reduce (or stop) the flow of marijuana, cocaine and quaaludes to the United States.

Operational activities essentially are joint U.S. (DEA) and Colombia law enforcement endeavors designed to disrupt major trafficking networks. Direct DEA (or predecessor agency) presence began in Colombia in 1972 and has continued down to today. Making cases is one major front on which we fight to interdict the flow of illegal narcotics to the U.S.

Developmental activities date back to 1973. From 1973 through FY 1981 the United States Government obligated approximately $32 million (including $16 million in FY 1980) for projects in Colombia. The goal of these projects has been, and is, to contribute to the upgrading of Colombian institutional capabilities in interdiction (and eradication), judicial processing, and intelligence collection pertaining to narcotics-related offenses, and in drug abuse prevention. The ultimate objective is to help the Government of Colombia to reach self-sufficiency in all technical and budgetary aspects of drug control and abuse. The United States' contribution has been in commodity support (almost 75 per cent of all assistance), technical aid, and training. Contributions of the Government of Colombia have included the necessary personnel and additional equipment. U.S. participation has been significant in terms of our worldwide narcotics control effort, but the financial commitment of Colombia has been even more substantial when viewed in the context of their limited resources. President Turbay's administration, which will hold office until August 1982, has been especially cooperative in our joint anti-drug activities. We hope this cooperation will continue in the future.

Under a new Government of Colombia anti-narcotics strategy, the national police has now assumed primary responsibility for narcotics control. Thus, the major thrust of our program is with this agency which has selected, trained, and deployed more than 1,000 persons to the field in Special Anti-Narcotics Units (SANU's) since December 1980. The Colombian military, as chief coordinator for narcotics enforcement measures, is playing an operational and tactical support role and the air wing of the Attorney General's Office is providing additional aviation support.

As a consequence of these initiatives, marijuana seizures made by Colombian enforcement agencies from January through August of this year are up more than 300 percent over the same period last year, and methaqualone seizures are up 350 percent. Preliminary data on cocaine seizures for the same time frame indicated a downward trend. The GOC has diverted significant resources in response to USG requests to interdict marijuana and methaqualone on the North coast as a first priority during 1981. We hope to launch a major cocaine interdiction effort in 1982.

In spite of real successes we estimate that the current rate of marijuana seizures represents less than 10 per cent of the total entering the United States from Colombia. The figures with respect to cocaine and quaaludes are very probably in the same range. The fact that improvements in absolute terms do not translate into real success in relative terms underlines what I regard to be the essential fact in combatting narcotics. That fact is that the closer our programs are to eliminating the source of the narcotics (plants or chemicals), the more successful and the less expensive our programs are. Thus, I would argue that eradication of marijuana and coca plants and elimination of chemical flows would be the most efficacious approach of the United States Government. As the experience of Mexico in eradicating its marijuana and poppy cultivations demonstrates, eradication is the best way. The Government of Colombia has begun a manual coca eradication program. Some in Colombia believe that a marijuana eradication program based on aerial spraying of herbicides would be the best approach. Before the United States Government can pursue efforts to convince the Government of Colombia to initiate such an eradication program two prerequisites must be met:

The Percy Amendment, which has prevented United States Government participation in paraquat herbicidal eradication programs of marijuana abroad, must be repealed; and

The United States must begin spraying the extensive U.S. domestic cultivations of marijuana before we can creditably ask foreign governments to do the same.

The above prerequisites must be met before the United States can negotiate a joint campaign of both interdiction and eradication. I believe that such a parallel approach could substantially reduce the flow of illicit drugs from Colombia to the United States.

PREPARED STATEMENT OF STEPHEN M. BLOCK, DEPUTY DIRECTOR, OFFICE OF ANDEAN AFFAIRS, BOLIVIA

Testimony before this Subcommittee on the narcotics problem in Bolivia is particularly timely, because on November 6 the White House announced that President Reagan had nominated Edwin G. Corr to be his ambassador to that country. The narcotics problem was a major factor in our decision not to return an ambassador to La Paz following the military takeover on July 17, 1980. I would like to begin by sketching in the background, so that you can better appreciate why we have taken this first step in normalizing U.S. relations with Bolivia.

General Luis Garcia Meza's seizure of power interrupted a process which would have led to the establishment of civilian, constitutional government in Bolivia. The coup followed the elections in late June in which Popular Democratic Union presidential candidate Hernan Siles Zuazo led with 38 percent of the votes. Since Siles won only a plurality, the selection of the president among the front runners was to pass to the national parliament.

We viewed the process and the outcome optimistically in terms of promoting political stability and democratic principles.

The American Ambassador was recalled on July 20 following threats on his life. The decision not to return him to La Paz (i.e., to conduct relations at the Charge level over the next 16 months) and to reduce our presence and programs substantially reflected our concern about the policies of the Garcia Meza Government in the following areas: narcotics trafficking, derailment of the constitutional process, human rights and economic mismanagement. All military assistance to Bolivia was suspended, and U.S. Military Group personnel were withdrawn. U.S. development assistance was substantially reduced or suspended; the limited aid that we continued has been mainly devoted to humanitarian food programs operated under the auspices of private voluntary organizations.

Shortly after the coup we learned that some senior government officials were involved in narcotics trafficking or were receiving large sums of money from traffickers. Narcotics trafficking increased. We concluded that we could not expect meaningful cooperation from the Garcia Meza regime in fighting narcotics and withdrew our DEA staff. Over the next year we had extended discussions with GOB representatives about narcotics control and even returned a DEA team to Bolivia in March 1981. Unfortunately, none of these efforts produced satisfactory results.

Many other governments were equally critical of the July 1980 coup. Mexico, Venezuela and Ecuador and the states of the European Community either withdrew their ambassadors to Bolivia or froze relations with the Bolivian government to the greatest extent possible. An outline of the reactions of other governments is appended to this statement for the record.

In August of this year, the three armed forces' commanders forced Garcia Meza out and formed a ruling junta. On September 4, Army commander General Celso Torrelio Villa became the sole president.

President Torrelio's Government has responded positively to our major concerns in Bolivia, particularly by indicating its commitment to take effective measures against narcotics trafficking. He removed from high government office persons suspected of involvement in trafficking. In September the Government published the names of five Bolivians who had been indicted in the United States for narcotics trafficking and offered a $40,000 reward for information leading to the capture of any of these five.* In October, the Government of Bolivia facilitated the voluntary surrender in Miami of two of the indicted Bolivians: Alfredo "Cutuchi" Gutierrez and Marcelo Ibanez.

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*

Roberto Suarez Gomez
Roberto Suarez Levi
Alfredo Gutierrez Vaca Diez
Renato Roca Suarez
Marcelo Ibanez

Much remains to be done in the area of narcotics control, as the problem is immense. For that reason at the outset, I characterized the sending of an ambassador as only the first step in the process of normalizing relations.

Bolivia, together with Peru, is the major source of the coca leaf that eventually makes its way as cocaine to the United States. In Bolivia, coca is mainly cultivated in the Yungas and Chapare regions, although small amounts are grown in the Beni and Santa Cruz departments. The Yungas provides a sweet coca leaf which has been traditionally used by the Indian population. The Chapare leaf is more bitter, and the vast majority of the Chapare coca is believed to enter the illicit market. Estimates of production vary, but it is generally accepted that the Yungas produces about 13,000 metric tons of coca leaves annually and the Chapare, approximately 50,000 metric tons of leaves. The Chapare coca leaf production could theoretically serve as the basis for up to 100 metric tons annually of cocaine hydrochloride. Bolivia actually produces some of this product, while a great deal more is made in Colombia from Bolivian origin coca derivatives. The final market in both cases is principally the United States.

The socio-economic effects of narcotics trafficking on Bolivia are complex, and I would like to highlight the key factors. Because the price for the refined coca is so much higher outside Bolivia, most of it is exported. We do not yet have evidence of a drug abuse problem in Bolivia. The chewing of coca leaf by the Indians is not considered to be analogous to the drug abuse we know here. Narcotics trafficking is, however, bringing a profound change in the nation's pattern of agriculture. High prices for coca encourage farmers to plant coca rather than traditional cash crops. Some farmers and cattlemen complain that they cannot compete for workers because of the higher wages paid by the drug trade.

The total value of illicit drugs produced in Bolivia is believed to be as high as $1.6 billion or about three times the export value of tin, the country's leading legitimate export. This money is not, of course, taxed and much of it does not enter the economy.

For several years prior to the 1980 coup, the United States Government contributed to Bolivian efforts to control cocaine production and trafficking. We supported programs which would limit the availability of coca leaf only to legitimate users and an organization known as

PRODES working to develop alternate crops for coca farmers. Even though all assistance is now sharply reduced, the Department of State's Bureau for International Narcotics Matters (INM) currently has earmarked $250,000 for the crop substitution project for the period July 1, 1981 to September 30,1982, which was considered the minimum funding necessary to keep PRODES from collapsing but not sufficient for it to expand its operations to move effectively to a crop substitution program. The United States thus far is the only foreign government to contribute to Bolivia's anti-narcotics efforts.

Because the Torrelio Government appeared to be serious about cooperating with us in the field of narcotics, the Drug Enforcement Administration reopened its office in La Paz in September with the assignment of a special agent in charge. We will be looking to our ambassador to give his assessment and recommendation regarding the size of the DEA staff.

For the record, I am appending to my statement a copy of the June 10, 1981 letter to the special envoy of the Garcia Meza Government, Justo Chamas, from the Director of Andean Affairs of the State Department, Samuel F. Hart. (This letter was published in La Paz.) This and less formal communications left no doubt as to the anti-narcotics measures the United States wanted that government to take.

Despite some positive steps and encouraging pronouncements, we still believe that the Torrelio Government should take significant further measures to:

- -- suppress narcotics manufacturing and trafficking
- -- control the production and marketing of coca leaf
- -- promote agricultural development projects in coca growing areas.

As evidence accumulates that the Bolivian Government is prepared to undertake serious, practical measures in these areas, we will consider -- within our resource limitations -- resuming cooperative anti-narcotics programs. We do not minimize the difficulty of fighting this evil. What we seek is continued evidence of the Bolivian Government's will to do battle.

While the focus of this hearing is on narcotics, I would like to note that the Torrelio Government has also been responsive to our other areas of concern. The human rights situation under President Torrelio has improved substantially, and we look forward to continued progress in that domain as well. The military government has declared that it will restore civilian rule in a three year period and will involve civilian sectors in planning that process. Similarly, on the economic front, we believe the GOB is -- in consultation with the IMF -- addressing the country's problems in a more responsible manner.

In sum, we believe that the exceptionally negative factors which prevented our having an ambassador in La Paz have been corrected by the Torrelio Government. We have, therefore, decided that it is appropriate to send an ambassador who will continue to work with Bolivian authorities to advance our goals.

I would only add in closing that we believe Ambassador Corr is especially qualified to deal with the narcotics problem in Bolivia. Before serving as Ambassador to Peru, he was a Deputy Assistant Secretary in the Bureau of International Narcotics Matters and knows the Bolivian situation intimately.

DEPARTMENT OF STATE
Washington, D.C. 20520

June 10, 1981

Dear Mr. Chamas:

As discussed at our June 6 meeting, I am providing a list of persons who are presently under indictment for drug offenses whose prosecution in the United States continues to be of primary concern to us. In addition, we are also particularly interested in the detention and punishment under Bolivian law of four other people who are well-known major Bolivian traffickers.

Under Indictment in the U.S.
Renato Roca-Suarez
Marcello Ibanez
Roberto Suarez Jr.
Roberto Suarez Sr.
Alfredo "Cutuchi" Gutierrez

Others
Widen Razuk Abrene
Jose Paz Hurtado
Sonia Atala
Alfredo Pinto

I would like to take this opportunity to offer a few additional comments on the status of our cooperation in the suppression of narcotics. As stipulated when the DEA began training members of Lt. Col. Doria Mendina's special unit on April 22, we intended to evaluate the Bolivian government's programs to control narcotics trafficking on June 22. At present the outlook is not bright.

While the arrest and punishment of major traffickers, such as those cited above, is critical to the success of the fight against narcotics, so is the disruption of the illegal cultivation, marketing and processing of coca leaf. In that respect, we were impressed by the results achieved by the military unit headed by Lt. Col. Doria Medina, which were reflected for a short period in the depressed price of coca leaf. We regret to note that with the withdrawal of the military from narcotics law enforcement, the initial gains have been lost and the price and quantity of illegal coca leaf has again risen sharply.

The experience of the military narcotics unit suggests that real and permanent progress could be made by reestablishing an effective anti-narcotics unit, setting up permanent controls for the marketing and movement of coca leaf, destroying leaf already seized and by enforcing the November 1979 decree setting limits on the production of leaf. We very much hope that the Bolivian Government will undertake effective programs in these areas, which are most important to any permanent suppression of this evil.

Sincerely,

Samuel F. Hart

Diplomatic Responses of Selected Governments to the July 17, 1980 Coup

(Failure to change the level of diplomatic representation does not necessarily imply the continuation of normal relations)

NAME	Vote on 7/80 OAS Resolution Condemning Coup	Relations
Venezuela	Cosponsor of resolution	Ambassador withdrawn No amb as of 11/10/81
Colombia	Cosponsor of resolution	Amb not recalled
Ecuador	Cosponsor of resolution	Recalled Amb 7/18/80 No amb as of 11/10/81
Peru	Cosponsor of resolution	Amb not recalled
Brazil	Abstained on resolution	Declared relations to be normal 7/30/80
Argentina	Abstained on resolution	Declared relations to be normal 7/29/80
Paraguay	Voted against resolution	Declared relations to be normal 7/29/80
Uruguay	Abstained on resolution	Declared relations to be normal 8/1/80
Guatemala	Abstained on resolution	Declared relations to be normal 8/8/80

Mexico	Voted for resolution	Withdrew Amb 8/30/81 No Amb as of 11/10/81
U. S.	Cosponsor of resolution	Recalled Amb 7/20/80 Named Amb 11/6/81
German Fed. Republic		Recalled Amb 7/26/80 Amb ret'd 8/9/80
Italy		Amb not w/drawn
United Kingdom		Recalled Amb. New amb arrived 10/5/81
Spain		Amb not w/drawn
Vatican		Resumed normal relations 4/24/81
France		Amb not w/drawn
Japan		New Amb ret/to LaPaz 10/14/80
Belgium		Amb on leave retd several months later
Egypt		Declared relations to be normal 7/31/80
Israel		Declared relations to be normal 7/31/80
South Africa		Declared relations to be normal 7/31/80
Nationalist China		Declared relations to be normal 7/29/80
Korea (Seoul)		Declared relations to be normal 8/80
Philippines		Declared relations to be normal 8/80
Malaysia		Declared relations to be normal 8/80

USSR	Declared relations to be normal 9/20/80
German Demo. Rep.	Declared relations to be normal 9/20/80
Hungary	Declared relations to be normal since 9/80
Czechoslovakia	Declared relations to be normal since 9/80

PREPARED STATEMENT OF FORMER AMBASSADOR TO PERU,

EDWIN G. CORR

I welcome the opportunity to appear here today to talk about the United States' cooperative anti-narcotics program with the government of Peru, a country in which until recently I had the privilege of serving as American Ambassador.

To set the framework for our international narcotics control program in Peru, I would like first to describe the general situation there in relation to coca cultivation and domestic usage.

Large numbers of indigenous Peruvians have grown and chewed coca for more than 2,000 years. Peruvian law permits coca to be grown in specified locations and in specified quantities for traditional use and for legal pharmaceutical purposes. Legal cultivation is licensed and its marketing is controlled by the Government of Peru (GOP) through ENACO (the government national coca monopoly). Any program to reduce the level of cultivation of coca must take into account licit cultivation and needs.

During the 1970's Peru emerged as one of the world's two principle producers of coca leaf (Bolivia being the other). Up until recently, in fact, as much as three-fourths of the cocaine hydrochloride (HCL) produced in Colombia was estimated to be the product of coca leaf grown in Peru. (Increased

Bolivian production has changed this ratio). Although there is no single agreed estimate for how much coca is grown in Peru, the U.S. Embassy estimates that 50,000 hectares are under cultivation, producing 50,000 metric tons of coca leaf annually. Since only about 14,000 metric tons are needed for licit domestic and international use, 36,000 metric tons are excess and thus available to the illicit international market. The bulk of the coca leaves grown in Peru is processed into coca paste and base and smuggled to Colombia and Brazil for the manufacture of cocaine HCL, which is then transshipped to the United States and other foreign markets.

The total value to the Peruvian economy of illicit coca production and cocaine trafficking has been roughly estimated at $850 million per year. While not all this money actually enters the economy (it is commonly believed that well over half of this is spent or invested abroad), it still makes coca one of Peru's three or four major foreign exchange earners.

In view of Peru's position as one of the world's two major suppliers of the raw material for cocaine, the issue of illicit drug production and trafficking is a significant and integral part of our overall bilateral relations with that country. Addressing the problem and seeking to develop effective anti-narcotics efforts with the GOP has been a major priority of the U.S. Mission in Lima, and I can assure you that top U.S. officials, including the Ambassador, DCM, Counselors of Embassy, and our AID director, as well as Drug Enforcement Administration officials frequently discuss aspects of the issue with Ministerial and high level Peruvian officials. The subject is, in brief, part of the mainstream of our diplomatic relations, not just some technical footnote to them.

The Government of Peru is itself greatly concerned about the narcotics issue. It very much wants to prevent the illegal coca trafficking from leading to the wide-spread corruption of law enforcement officials that has occurred in other countries. Major political parties and politicians have denounced the traffickers and their deleterious impact on the country. The Peruvian Government is also concerned about the growing health and crime problems arising from Peruvians' use of drugs, especially the smoking of coca paste.

While the importance of economic problems and development has precluded the GOP from assigning the highest priority to an anti-narcotics effort and although some politicans occasionally express sympathy for the individual coca grower, the GOP has cooperated substantially with the United States in attempting to reduce the traffic in illicit narcotics. The President of

Peru, the First Vice President, the Prime Minister, and top Government officials all have expressed on various occasions their concern about and their commitment to combatting illicit narcotics trafficking. Not only has the GOP in recent years enacted a number of laws which carry stiff penalties for narcotics offenses, the government in Lima more than doubled its resource commitment to narcotics control programs between 1978 and 1980 (from about $1.3 to $3.1 million). Concomitantly, the GOP has increased the number of both people and organizations responsible for reducing the illicit narcotics trade.

There are a number of U.S. Government agencies working as a team in a coordinated and effective effort to support the Peruvian Government's narcotics control program. The Drug Enforcement Administration works constructively with Peruvian police agencies; the Narcotics Assistance Unit (NAU), carrying out the State Department's Bureau of Narcotics Matters program cooperates with a number of Peruvian agencies; and AID is implementing an integrated rural development project in the major illicit coca growing region that is complementary to narcotics control efforts. Nearly all other sections or agencies of the Embassy are to some degree supporting the narcotics control program, and other Washington based entities, such as U.S. Customs and the National Institute of Drug Abuse provide important support and cooperation.

Our INC program in Peru is being summarized in the testimony of Acting Assistant Secretary for INM, Joseph Linnemann, and I don't think it necessary for me to cover the same ground. Furthermore, you will be hearing from Mr. Weber of the Agency for International Development concerning details of AID's new agricultural development/income replacement project. I therefore propose to make only a few general comments about what we are doing and seeking to accomplish in Peru and then stand ready to answer any specific questions you may have as the result of the various presentations on Peru you will be receiving today.

The recent history of our international narcotics control program in Peru is one of diversified support for a rather wide variety of Peruvian institutions. While the main thrust has been weighted toward supporting enforcement activities by DEA collaboration and NAU support, we have, in addition, been helping the Ministry of Education with its nascent drug education and treatment program; the Office of the Attorney General for Narcotics in its program to improve the efficiency with which it prosecutes narcotics cases; and the

Executive Office of Narcotics Control in its efforts to coordinate information on narcotics in Peru and the activities of the many institutions and organizations in the country dealing with the problem. As in many other countries, we are also cooperating with Customs, but so far at least have not found this organization in Peru the most effective vehicle for pursuing interdiction efforts. As in some other areas, there are simply too many conflicting priorities, compounded by severe shortages of qualified personnel.

Our largest, and so far most promising enforcement project has been with the Peruvian Investigative Police (PIP) and the Guardia Civil (GC). The former is charged with investigation of all felonies, including narcotics offenses. The Guardia Civil is responsible for crime prevention, investigation of misdemeanors and, where there is no PIP presence (usually in rural areas), the investigation of all criminal offenses, including narcotics. Both PIP and the GC have narcotics units functioning on national and regional levels, and both have a narcotics training center plus mobile training teams. The natural, healthy rivalry between these two organizations has contributed to a more effective law enforcement effort than occurs in many countries. We continue to believe both have a role to play in Peru and our cooperation with, and assistance to each is very cost-effective.

Although nominally under the jurisdiction of the Guardia Civil, a new organization called UMOPAR (Mobile Rural Patrol Unit) has been established with the help of substantial US assistance. This police organization, based in Tingo Maria in the Upper Huallaga valley producing area, will form the cornerstone of the rural enforcement and eradication part of the new integrated attack on illicit coca production, to which I would now like to turn.

As you will be hearing in detail later, the big news in relation to our narcotics control program in Peru is the recent inauguration of a combined multi-faceted Government of Peru attack supported by INM, AID and DEA on the illegal cultivation of coca in the Upper Huallaga Valley on the eastern slope of the Andes. This first "marriage" of INM and DEA enforcement/eradication activities with AID's agricultural development objective is, I firmly believe, the type of approach we should be striving for not only on a broader scale in Peru, but in other countries as well. There may be cases where pure eradication and law enforcement, if both are effectively undertaken, will be adequate to bring about a significant reduction in the production and flow of illicit narcotics. However, in areas where for political, social or purely economic reasons termination of illicit production must be compensated for in order to be effective, complementary agricultural development programs designed to provide income substitutes to the small farmers have to be developed. Since most countries where this problem exists are resource poor and US development assistance is probably already available to some extent, it makes eminent sense to try to tailor such assistance to accomplish, in a synergistic manner, the objectives of both the anti-narcotics effort and the rural development effort.

One last word on the Upper Huallaga, if I may. There obviously is in such a campaign -- in Peru or elsewhere -- the inherent possibility that displaced producers of illicit narcotics will relocate and take up the same trade. Limited evidence of this has been seen in Peru following a major one-shot eradication effort in 1980. Thus, it is imperative that we ensure through enforcement and controls that illicit production does not spread to new areas of cultivation. This has been taken into account in our programming and talks with the Peruvian Government.

As for the future of our efforts in Peru, the critical factor affecting the success of the INC program is the commitment of the government, of Peru. The Fernando Belaunde Terry administration has demonstrated its dedication to the anti-narcotics effort, but continuing economic and development difficulties, combined with the internal security problems limit the ability of the government to commit significant human and monetary resources. Moreover, as I have tried to explain, the need for an integrated income substitution and an agricultural development program is manifest if we are to have any prospect of a long-term solution to the problem. Consequently, it is important that the United States be prepared to contribute sufficient sums toward not only enforcement/control efforts, but also toward agricultural/development goals, and that these dual efforts be carefully coordinated.

Thank you.

PREPARED STATEMENT OF JOSEPH H. LINNEMANN, ACTING ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL NARCOTICS MATTERS, DEPARTMENT OF STATE

I am pleased to appear before you today to discuss the Department of State's role in our efforts to control illicit narcotics. Assistant Secretary DiCarlo has asked me to express his regrets that he is unable to respond to your invitation personally because of other commitments.

Events of the past year, both in the United States and abroad, have reinforced our view that international narcotics control is an integral part of United States foreign relations. As President Reagan emphasized in New Orleans on September 28, an attack on drug trafficking is "one of the single most important steps that can lead to a significant reduction in crime." A key element of the anti-narcotic strategy the President outlined was "a foreign policy that vigorously seeks to interdict and eradicate illicit drugs wherever cultivated, processed or transported." Towards this goal, he announced the creation of a Special Council on Narcotics Control to coordinate efforts to stop the drug flow into this country.

Within that context, I welcome this opportunity to present the Department's overall international narcotics control philosophy and describe some of our specific programs.

First, let me put it in relative fiscal terms. Illicit drug sales in the United States are estimated by the Drug Enforcement Administration to exceed $80 billion a year. In contrast, the overall Federal budget devoted to the suppression of drug abuse is under $1 billion. Approximately 95 percent of that amount is expended here in the United States for law enforcement, demand reduction, and addict rehabilitation. The remainder is devoted largely to international programs planned and implemented by the Bureau of International Narcotics Matters (INM). For FY 1981, our budget totalled $35.9 million.

The Department's primary goal in coordinating our international effort is to motivate and assist foreign governments in curtailing the production of illicit drugs at their sources and to immobilize major traffickers who smuggle these drugs into the United States. Since the appointment of the Department's Special Advisor on Narcotics Matters in 1971, we have placed highest priority on those drugs that have the most serious health, social and economic consequences; i.e., heroin, cocaine and marijuana. INM's primary goal has been to assist foreign governments to stem trafficking in these drugs as close to the point of initial production as possible.

The Department follows a three-pronged approach in pursuing that goal. It can be characterized as:

1. illicit production control and interdiction through enforcement;
2. drug income alternatives where necessary;
3. demand reduction and prevention.

Underpinning these approaches is a sustained diplomatic effort by the Department and our overseas Missions to secure the cooperation of producing and transit countries in the global fight against drug abuse. Unless we ensure a cooperative international environment, other United States agencies, such as the Drug Enforcement Administration, U.S. Customs Service, or the U.S. Coast Guard, could not operate effectively with their foreign counterparts. More specifically, the Department, through government-to-government agreements and appropriate international agencies, seeks to provide the legal and organizational framework (i.e., seizure of illicit assets, mutual judicial assistance, ship boardings, and UN drug control conventions) within which much of our international effort operates.

The principal focus of INM's effort, within these three general approaches, is direct technical assistance. In FY 1981, INM obligated $26,156,000 for country programs.

I would now like to go into a review of the environment of illicit drug activities in Asia and Latin America and how our individual country programs are designed to counter them.

Southeast Asia

As a result of the excellent growing conditions for poppies in 1981, the production of opium from the three countries of the Golden Triangle (Thailand, Burma, and Laos) rose from an estimated 200 metric tons in 1980 to an estimated 600 metric tons in 1981. Unless there is a significant climatic change, the 1982 production could equal or exceed the 1981 figures.

The Royal Thai Government (RTG), however, has promised to carry out eradication programs in ten zones in Northern Thailand that, as a result of UN crop substitution programs, are designated "opium free". We recognize that in terms of gross amounts eradication of fields in these ten zones is less than ideal. However, if carried out effectively, it will indicate to the poppy growers in other villages that their government is serious in its commitment to ultimately eradicate all opium poppies grown within its borders. This could have a deterrent effect on poppy planting even in areas where economic and social development has not yet achieved the level deemed necessary for the government to mount similar programs.

Another aspect of the narcotics problem has, over the past six months, shown marked improvement in the Golden Triangle; this is the decline in availability or lack of precursor chemicals, e.g., acetic anhydride, used to refine opium into heroin. Reports from Northern Thailand indicate that as a result of Thai government efforts the amount of acetic anhydride reaching the northwest border refineries has dropped significantly; the refineries are having considerable difficulty converting the bumper stocks of raw opium into heroin. We have encouraged the Thai government to continue restricting the illegal use of this chemical. At the same time we have encouraged the RTG to increase surveillance activity on the Southern Thai/Malaysian border to prevent a compensating increase in the number of heroin refineries in that area, since precursor chemicals come into Thailand across the Malaysian chemicals come into Thailand across the Malaysian border. The Malaysian Government is also attempting to make it more difficult for these chemicals to enter the country either legally or illegally.

The Thai government has made repeated promises to arrest the notorious "drug war-lord" Chang Chi-fu, leader of the Shan United Army (SUA), and has also posted a $50,000 reward for his capture. The SUA is estimated to control some 70 percent of Golden Triangle heroin refining. Chang Chi-fu resides in a fortified area with several hundred armed guards near a small village in Northern Thailand. The RTG is quite aware of Chang's location and activities, but has been unable to do much about arresting him.

In Burma, INM assistance programs focus primarily on contract maintenance for the fixed wing and rotary aircraft provided several years ago for narcotics programs in Burma. We in INM, with the Burmese Government, are aware that ultimately long term success in reducing the production of opium and heroin in Burma must combine rural development/crop substitution with enforcement and eradication. The recent visit to the United States of the Burmese Deputy Minister of Agriculture underscores the importance the Government of Burma places on such programs.

Large-scale enforcement operations against refineries have made successful use of aircraft to ferry personnel to staging areas. INM provided aircraft have also been used in support of poppy destruction programs in inaccessible areas.

To counter the narcotics problem in Southeast Asia INM supports programs in enforcement, crop substitution and demand reduction. In FY '81 INM has budgeted $7.7 million for Thailand, Burma, Malaysia, and Indonesia. The majority of the funds go to Thai and Burmese programs. In addition INM funding has encouraged regional enforcement cooperation through funding of police training for students from ASEAN countries (Association of Southeast Asian Nations) and the activities of the Colombo Plan Drug Advisory Program.

In Southeast Asia there are six US Government employees in narcotics related positions. Two employees are Career Foreign Service Officers who staff the Narcotics Control Unit in Bangkok. In addition, in Thailand there is a US Customs officer (on PASA to INM), an American electronics specialist, an American aviation maintenance specialist, and an American demand reduction specialist (on PASA to INM). We believe that the combined efforts of our enforcement, demand reduction-treatment, and crop substitution programs have the greatest chance of long term success in reducing the growth and refining of opium and the trafficking and use of narcotics in Southeast Asia.

Commitments to do something about the production, trafficking, and use of narcotics are clearly growing in Southeast Asia - but at an uneven pace. The government of Burma, Thailand, and Malaysia all recognize that they have a serious narcotics abuse problem among their own youth. Indonesia has less of a problem and less concern. All four countries recognize that they are major narcotics trafficking centers and, in the cases of Burma and Thailand, major growing areas as well. The activities of the four governments vary, however. In Thailand our greatest difficulty is in encouraging Thai motivation and action to follow through on their promises. Opium eradication has been promised in Thailand for several years. This year, if the RTG fulfills its current commitment to us, will be the first year that any significant eradication has taken place -- albeit in a limited area. In Burma the motivation exists to do something about the growing of opium. However, the Burmese government is unable to exercise effective control over most of the opium producing areas.

Latin America

I would like to turn now to the current narcotics situation in Latin America. Latin Americans, because of their geographical proximity and cultural ties, are much more attuned to our society than the more distant Asians. They are, for example, aware of the perceived ambivalent attitude toward drug abuse among major elements of our population. This relative familiarity with the controversy over drug use here adds a unique complication to our programs in Latin America. We frequently must seek to convince influential private and public figures of the *bona fides* of the United States' motives when we urge them to take strong and politically difficult measures to control illicit production and trafficking to the US - the ready market for lucrative exports from their frequently weak economies. Otherwise responsible Colombian businessmen, for example, have charged that our desire to eliminate Colombian marijuana production is designed to "protect the United States marijuana producers' market."

Latin America's importance as prime supplier of illicit cocaine and marijuana for the United States market has increased as production has expanded in Bolivia, Peru, and Colombia. The latter is also a major trafficking country. Trafficking has proven to be a devastating social and economic problem for the small Caribbean states -- Bahamas, Jamaica, etc., -- through which the bulk of the illicit drug flow passes en route to the U.S. It is therefore a bilateral political problem for the United States in an area already sensitive because of economic and security threats. With this in mind, let me give you a progress report on our current Latin American programs.

In FY 1981, $17,096,000, or over 60 percent of our overall country program assistance, was expended for our Latin American initiatives.

Mexico

Mexico has historically taken great pride in maintaining its independence from the U.S. and traditionally has accepted no U.S. economic asistance. However, as the magnitude of illegal narcotics production grew in Mexico during the 1960s and U.S. concern increased, and, given the Mexican preception that American demand created the narcotics problem, the Mexicans felt that U.S. assistance in sharing the costs of the massive control program needed was appropriate.

The narcotics eradication program which we undertook in cooperation with the Mexican Attorney General's Office (MAGO) has become our largest International Narcotics Control initiative. Over a ten year period, the U.S. has invested more than $95 million in INC funds in this joint venture. Although we do not have access to Mexican budgetary figures, we estimate that they are currently spending three to four times as much as we are on the program. Our major expense has been for aircraft and aviation maintenance. No U.S. assistance has been needed for crop substitution since opium growing on a large scale is a recent phenomenon, and the Mexican government does not feel obligated to provide aid to growers it puts out of business (in marked contrast to the situation in traditional producer countries).

The key to the success of the eradication campaign in Mexico was the government's November 1975 decision to use herbicides. They had never been used in a nationwide campaign for narcotics control, but ad hoc manual eradication had not been equal to the task--even when helicopter logistical support in 1975 doubled the amount eradicated. In 1975, an estimated 65 tons of opium was grown, producing 6.5 tons of heroin. At the high point in the eradication campaign, 1977, some 10,000 hectares of opium (enough to produce 10 tons of heroin) were destroyed. By 1980, less than one ton of Mexican heroin entered the U.S. There are, however, recent indications that heroin production is increasing, as the Mexican poppy growers use more and more sophisticated means to avoid detection and thus eradication.

Colombia

Colombia continues to be the major processor of cocaine hydrochloride, supplying at least 50 percent of the United States and world markets. (Nearly all of the cocaine is, however, produced from coca derivatives originating in Peru and Bolivia.) Colombia also provides an estimated 70 percent of the marijuana smuggled to the United States. Our contributions to the INC programs in Colombia totalled $32 million through 1981. (This total is somewhat misleading, however, since it includes a "one-shot" amount of $16 million, which Congress mandated for Colombia for FY 1980. These funds have been apportioned among the three armed forces, the National Police and the Customs Service, principally to procure narcotics interdiction related commodities.) The FY 1981 program extends support at a level of $3,600,000.

The majority of this new funding ($1,700,000) will be used to assist the National Police - since May 1980 the primary Colombian government agency for narcotics enforcement. Since the first of January 1981, the National Police has deployed more than 1,000 men throughout the country in new anti-narcotics units, launching an increasingly effective interdiction campaign. Lesser, but still substantial amounts, will support the Colombian Customs Service, Ministry of Justice activities, and the Attorney General's Office.

With regard to marijuana and with reference to my earlier remarks, I would note that the single most effective solution to the massive Colombian export of this narcotic is an eradication effort. Enforcement and interdiction alone simply cannot suppress the flow. Our ultimate objective is, therefore, to cooperate in an eradication program in Colombia. However, we are hindered by a legal prohibition against working towards eradiction internationally through herbicidal spraying. Until progress on this front is brought about, we will not be able to convince the Colombians to agree to undertake the most potentially effective anti-marijuana campaign.

Ecuador

INM has maintained a program in Ecuador because of the country's importance as a trafficking link for coca derivatives and cocaine moving from Bolivia and Peru to Colombia (and ultimately the U.S.). We have provided commodity and training support for narcotics control programs to the Customs Military Police and the National Police. At various points from 1974 to 1979 limited funding was also committed to the Ministries of Health and Education for drug abuse education programs. In September 1980 a program agreement was signed with the newly formed National Directorate for the Control of Illicit Narcotics (DINACTIE) in the Attorney General's Office. To date these limited funds have been dedicated to drug abuse education programs. However, the DINACTIE is also charged with the investigation of major traffickers operating in Ecuador. While the group is still in the formative stages, there is substantial potential. Thus, in FY 1981 the INC Program modestly supports this operational/enforcement side of DINACTIE also.

Peru

Since 1978 INM has been working with the government of Peru to support programs designed to reduce the production and trafficking in illegal narcotics at its source. The U.S. government has provided a total of $6,697,000 in assisting the Peruvian narcotics control program. While the initial thrust of our support was weighted heavily in favor of enforcement activities, the current trend is toward a balanced program of enforcement, education, and income substitution as a more effective strategy to combat the problem.

We have entered into project agreements with a variety of Peruvian agencies involved in the narcotics control effort. We are especially interested in enhancing the operational and intelligence coordination among all Peruvian narcotics enforcement agencies. Among these groups, the Peruvian Investigative Police (PIP) and the Guardia Civil (GC) have been the principal recipients of U.S. aid. The PIP has received $1,001,000 in

U.S. financial assistance and the GC $741,000 over a three - year period (FY 1978 through FY 1980).

Our other programs in Peru include assistance to the Guardia Republicana and the Customs Service. The former is involved with border control and the latter with normal export/import control activities. We have also been cooperating with the Ministry of Education in a modest drug abuse education/prevention program within Peru.

As noted, our long term thrust in Peru is a balanced, integrated program. In 1981 a major and unique step forward was made with the inauguration of the Upper Huallaga Valley Project. This area of Peru is the country's largest single source of illicit coca production and has been the target of previous limited INM supported eradication activities. The recent quantum step forward is a joint effort by INM, AID, and the government of Peru which targets an estimated 17,000 hectares of illicit coca cultivation in the valley. This five year agricultural development/coca substitution project is the first USG - supported experiment in which the long - advocated stategy of coordinating INM's support for enforcement with AID's development assistance will be implemented. The AID project, which was signed with the GOP on September 15, calls for a loan and grant of $18.0 million to finance a program of combined agricultural research and extension credit, and other developmental activities in the Upper Huallaga. INM plans, contingent upon annual appropriations, to expend $15 to $20 million on enforcement and eradication of illicit coca in this and other areas of Peru over the same five-year period.

Bolivia

U.S. INC assistance to Bolivia began in FY 1975 with a small pilot project to investigate the potential for a crop substitution program. Bilateral agreements were subsequently signed in 1977 for two different areas of activity: expanded investigations of alternate crops, and assistance to the National Directorate for the Control of Dangerous Substances (DNCSP) for narcotics control *per se*. Further agreements were signed in 1978 and 1979.

The long-term goal of both the alternate crops and control projects was to reduce coca production in Bolivia to the level required for legal internal use and drug manufacture and to severely curtail illicit exploitation of coca leaves.

The experimental and study phase of the agricultural development project was essentially completed by the end of 1980. Earlier in the same year, USAID had prepared a draft project paper for a full-scale agricultural diversification project in the Chapare region. Consideration of this project was suspended after the military *coup d'etat* in Bolivia in July 1980.

INM has maintained, however, a substantially reduced level of assistance to the Bolivian counterpart agency, Proyecto de Desarrollo "Chapare-Yungas" (PRODES). We have sought to maintain PRODES as a viable institution in order to have in place an organization that could resume a diversification program quickly should the government demonstrate a capacity for narcotics enforcement in the future.

As to the future, the U.S. has, of course, just taken the first step toward "normalizing" relations with Bolivia, based, _inter alia,_ on some positive signs on the anti-narcotics front. However, any return to a full INM program is dependent on further demonsration that the current Bolivian government is seriously committed to erasing the legacy of the past and undertaking effective action to combat both the production of and trafficking in cocaine.

Brazil

Since 1979, Brazil has shown evidence of becoming an important cocaine transshipment country and the principal source for acetone and ether used in cocaine refinement in Bolivia. Fairly sophisticated drug distribution networks transship cocaine from Bolivia through Brazil for ultimate sale in the United States and Europe. Our goal is to assist Brazilian authorities in curtailing the processing and transshipment of coca derivatives.

In September 1981, the United States signed a project agreement with the Federal Police, which is under the the Ministry of Justice and is the agency within the Brazilian government with primary responsibility for narcotics control. Approximately $200,000 will support interdiction operations aimed at disrupting trafficking at selected spots in key border areas. The components of this project will be primarily river patrol craft and telecommunications equipment.

If the results of this new cooperative operation are positive, we plan to continue to support the federal police in its border interdiction program.

The Caribbean

Trafficking routes for at least 70 percent of the cocaine and marijuana and a major portion of the illicitly produced dangerous drugs entering the United States pass through the Caribbean. General aviation aircraft and marine vessels are the most common mode of trafficking, but commercial aviation is also used, particularly for cocaine. Traffickers often operate from bases in countries where they have established a working relationship with government officials. Many landing and refueling operations which are vital to the traffickers operate as legitimate businesses, or with very transparent camouflage. Furthermore, genuine shortages of local enforcement resources and the innumerable isolated airstrips and harbors from which traffickers can operate help to produce an environment that is truly hostile to interdiction efforts.

The impact of this flow on the United States -- especially Florida -- has long been obvious. The Attorney General of Florida reportedly has described the trade in cocaine, marijuana, and illicit quaaludes as "the biggest retail business in our State," amounting to approximately $7 billion per year. But the affected Caribbean countries are only now beginning to perceive the serious social, political, and economic problems for themselves stemming from the traffic.

We are undertaking a Caribbean regional narcotics program aimed at establishing a basis for better coordination between the Caribbean countries, particularly Haiti, the Bahamas, the Turks and Caicos, and United States enforcement agencies (i.e. DEA, Coast Guard and Customs). The main thrust of this funding is to improve interdiction results in the Caribbean, pursuing eradication efforts if deemed feasible, and operational support efforts.

Jamaica

Jamaica has a special place in our Caribbean strategy because, in addition to being a logistical stopover for transitting traffickers, it is the only significant narcotics source country in the area. Approximately 10 percent of the marijuana smuggled into the U.S. is grown in Jamaica.

Marijuana, known as ganja on the island, is widely used among Jamaicans. Complicating the situation, members of the Rastafarian and the Ethiopian Zion Coptic Church, religious groups native to the island, use marijuana in their liturgies.

Until recently, Jamaica's economy had followed a downward spiral for several years. During the time, income from marijuana cultivation and trafficking has risen to a point where it may be surpassing that of any one of Jamaica's traditional foreign exchange earners. Most Jamaicans have benefitted economically, at least indirectly, from the marijuana trade. As a recent Business Week article noted:

> In recent years, local marijuana traders have replaced U.S. tourists as major suppliers of dollars for Jamaica's dwindling foreign currency reserves. "Washington's crackdown on ganja is really hurting us," says one Kingston merchant. "Some people call it dirty money, but until the tourist industry is revived, many of us can't get along without it."

We are, of course, prepared to assist the Jamaicans in interdicting trafficking through and from the island and in controlling the production of marijuana surplus to Jamaica's own domestic consumption.

Southwest Asia

Although the focus of this hearing is, at your request, on Southeast Asia and Latin America, I would like to make a brief reference to Southwest Asia in order to keep the other two areas in context.

The recent arrest here in Washington of four Pakistani heroin traffickers and their American contact points up the fact that most of the heroin now being smuggled into the eastern United States is from Southwest Asia. Because we have no access now to the opium growing areas of Afghanistan and Iran, we do not have reliable estimates either of how much opium is being produced in either country, or how much of the opium produced there reaches the United States as heroin.

Opium production in Pakistan for the past two years has been in the 100-125 ton range, down from the record 700 to 800 ton 1979 crop. Three factors account for this: 1) a government ban on poppy cultivation in the "settled" areas, which produced 300 tons of the 1979 crop; 2) depressed farm gate prices because of larger stocks remaining from the 1979 crop, and 3) adverse weather conditions.

We cannot do anything directly about production in Afghanistan and Iran, so we are concentrating our current efforts on encouraging enforcement of the Government of Pakistan's ban on cultivation in additional areas of the Northwest Frontier Province and in interdicting heroin trafficking en route from Southwest Asia to the United States as it passes through Turkey and Western Europe.

I would like to end my discussion of specific geographic areas here and move on to a few functional activities which touch equally on several areas of the world: narcotics demand reduction, which I have referred to previously in connection with individual country programs, narcotics control training, and our support for the United Nations narcotics control program.

Demand Reduction

In FY 1981, INM provided $1.53 million to support programs designed to reduce demand for illicit drugs in countries which are involved in the production or transit of drugs destined to the United States.

We have found that the existence of a demand reduction program enhances the awareness of local public leaders of the potential or actual threat drug abuse poses to the host society. This in turn strengthens the government's commitment to the production and trafficking control programs which INM emphasizes. We have also found, particularly in producing countries, that stable populations of illicit drug consumers provided an additional economic incentive to illicit producers. These addicts are a ready local market for relatively unrefined drugs, like opium, and serve as a hedge aginst fluctuations of the international drug market. Finally, large numbers of chronic consumers of illicit drugs may destablize societies friendly to the United States by reducing the availability of effective manpower in the workplace; supporting corruption, criminal trafficking elements, and other drug-related crime; and exacerbating other economic and social problems.

International Narcotics Control Training

INM-funded training activities are aimed primarily at improving the enforcement capability of foreign narcotics officials, and are designed to increase professional cooperation between United States enforcement authorities and those of other countries.

Most of the training is carried out by DEA and Customs in time-tested courses and in special programs designed to meet specific requirements. Both agencies conduct advanced courses for high-level foreign officials in their United States training centers, while training for line officials is generally offered abroad in special in-country programs. Beginning in FY 1982, DEA will conduct its advanced international narcotics-control training at the Federal Law Enforcement Training Center at Glynco, Georgia. DEA and Customs also provide courses to improve domestic training capabilities of responsible agencies in the cooperating nations. During FY 1981, DEA and Customs provided training to over 1,000 foreign participants in courses overseas and in the United States.

INM-funded training also includes the Executive Observation Program (EOP), through which senior foreign government officials involved in narcotics-control activities visit this country. Besides exposing these key visitors to United States agencies and procedures, this program develops personal ties of communication and cooperation between United States and foreign government officials. During FY 1981, INM funded the visits of twelve senior government officials from nine countries.

UNFDAC

So far I have spoken mainly of our bilateral narcotics control efforts. But we also work though various multilateral agencies and contribute to the United Nations Fund for Drug Abuse Control (UNFDAC). I would like to cite here an important recent development by which the UN drug control system will assist us in reducing a major form of drug abuse in the United States.

One of the most popular illicit pharmaceuticals here is methaqualone, most frequently marketed under the trade name

Quaalude. Hospital emergency room mentions of methaqualone during the first three quarters of 1980 totaled 3,374, up almost 100 percent from the same period in 1979. Although most of the illicit methaqualone has been smuggled from Europe to clandestine laboratories in Colombia for entabletting, it appears that in the near future, Colombia may no longer be a major supplier. For some time, we have urged the Colombian government to ratify the UN's Psychotropic Substances Convention of 1971, the international agreeement under which the shipment of licit raw materials for methaqualone, which is later diverted to illicit production, can be controlled. The Convention has serious implications for domestic pharmaceutical industries which makes ratification a sensitive economic issue. As you know, the United States Senate did not ratify the Convention until last year. The Colombian legislation did so in September 1980, and final ratification is expected by the end of 1981. Colombia will soon be able to notify the UN's Commission on Narcotic Drugs that licit imports of the raw materials for methaqualone are prohibited. Exporting countries, in this case the Federal Republic of Germany and Switzerland, would then be obliged to halt shipments to Colombia and, in doing so, cut off supplies now diverted to the clandestine laboratories which supply the United States market.

The UN's own program activities to control illicit drugs are funded through voluntary contributions given to UNFDAC by the US and several other countries. Since its establishment in

1971, UNFDAC has helped to emphasize the fact that the problems of drug abuse know no national boundaries and, therefore, require worldwide cooperation. UNFDAC has also been able to work with countries whose cooperation is vital to United States narcotics-control interests, but where political circumstances inhibit United States bilateral assistance.

INM hopes to make another contribution to the Fund in FY 1982. UNFDAC's 1982 program will support crop substitution projects in countries which are the main producers of illegal opium, notably Burma, Thailand, Laos, and Pakistan.

This concludes my review of the Department's international narcotics control strategy and INM's role in it. With the support of Congress, we intend to pursue our efforts to suppress illicit narcotics production and trafficking as close to the sources of illicit narcotics substances as possible.

Thank you.

PREPARED STATEMENT OF FRANCIS M. MULLEN, JR., ACTING ADMINISTRATOR, DRUG ENFORCEMENT ADMINISTRATION, DEPARTMENT OF JUSTICE

Members of the Senate Permanent Subcommittee on Investigations, I am most pleased to be here today as the Drug Enforcement Administration's primary spokesman to review for you several significant international drug trafficking situations and the related issues that must be addressed by the United States and the world community. The work of the Subcommittee over the past year, culminating with these extensive hearings, is very important. It is imperative that the Congress have a clear understanding of the ramifications and enormity of the international drug problem because the implications of this multidimensional situation must be considered in foreign policy decisions. A clear, national drug policy needs to be part of our agenda and our program of commitment to international relations.

Drug control is clearly an international issue. Heroin, cocaine, and most of the cannabis destined for the United States and Europe are cultivated and processed from agricultural sources in Southwest Asia, Southeast Asia, South America and the Caribbean. Countries which were formerly involved only in cultivation and production are now faced with serious domestic drug abuse problems. International commerce routes are affected by the trafficking of these drugs. International politics and economics hinge on the balance of power and trade controlled by narco-dollars.

Without a doubt, drug trafficking is one of the most virulent crimes known to society. I believe that as we examine these environments in further detail it will become evident that many nations share the same problems and that together we can find common solutions to address these problems.

The goals and objectives of the United States drug program are much the same as those of other nations. It is in all our interests to pursue actions that reverse the accelerating trends of drug production and abuse. The critical element must focus on control of drug production at the source. In addition our long-range program must be founded on material institution building and developing cooperative, bilateral and multilateral control and enforcement mechanisms. From an enforcement perspective, and directed more toward a short-range goal, it is our mission to immobilize the major international trafficking organizations--the cartels that have the capability to affect the international drug market. Our intent is to ensure that the principals are incarcerated, the drugs are seized and their assets are removed. Our goal is to make it prohibitively expensive--both personally and financially--for drug traffickers to operate.

Regardless of the drugs involved or where they are cultivated, our supply reduction strategy focuses on developing host country drug enforcement, intelligence and training systems. It is DEA's overseas objective to work in concert with officials in source and transit countries and to instill within them the expertise needed to utilize, to the maximum, their own resources to suppress illicit drug production and trafficking in their region. This hearing's focus on the production and trafficking of controlled substances in Southeast Asia, South America and the Caribbean directs attention to the issues that must be addressed if the United States Government is going to have an impact on heroin, cocaine, marihuana and dangerous drug trafficking and the moneys associated with these illegal ventures. I believe that the avenues open to us will become evident as I describe the specifics regarding each of these areas.

Southeast Asia

The dynamics of the heroin market are once again in flux, changing at a pace unparalleled in modern history. The Golden Triangle of Southeast Asia--Burma, Thailand and Laos--is a traditional, primary source of the opium that supports heroin addiction in Southeast Asia, the United States and Europe.

Several years ago, at the peak of heroin consumption in this country, Southeast Asian heroin accounted for a significant market share in the United States. However, this declined in the wake of two consecutive drought-diminished opium poppy harvests. Normal weather patterns and adequate rainfall returned to the Golden Traingle in 1980 to support the increased opium poppy planting, a consequence of the farmers' response to the unusually high prices which resulted from the drought-induced opium shortage. Favorable weather conditions also increased the yield per acre.

Intelligence reports now forecast that the most recent harvest will yield perhaps as much as 700 tons of raw opium, as contrasted to a normal harvest of about 425-450 tons. By way of comparison, during the droughts, the harvests were 250 tons maximum.

Well over half of this production from the Golden Triangle will be consumed in the region or will be stockpiled for later sale because the current glut has depressed the market and, as a consequence, the price for raw opium has plunged. As with any other commodity, the opium growers are holding their supplies until the price rises again. Nonetheless, the balance of opium available for conversion to heroin is more than adequate to support addicts around the world. It is conceivable that there will be as much as an additional 15 tons of heroin available to the world market. That is almost 4 times the volume of heroin consumed annually in the United States. It is expected that this increased production of heroin from this bumper crop will enter and perhaps glut the international traffic and compete with Southwest Asian heroin for the European and North American markets.

The change in the drug abuse patterns within the Golden Triangle is also a concern. Traditionally, the indigenous peoples of Southeast Asia smoked the opium from their harvest. There is also a large market for refined heroin within Southeast Asia itself. This development is of concern to the governments in Southeast Asia and to the United States and must be considered in all U.S. Government planning directed at the symbiotic approach of supply and demand reduction.

Most of the opium production in the Golden Triangle occurs in the northern Shan and southern Kachin states in Burma. It is expected that the current crop will yield upwards of

500 tons of raw opium. A significant portion of the area under cultivation is controlled by the Burmese Communist Party, an insurgent group which utilizes the sale of opium to trafficking organizations to finance their activities direct against the central Burmese government. As I will explain shortly, this situation has a tremendous bearing on any source control policy options.

The balance of the opium cultivation is in the mountainous areas of Thailand, to a lesser degree along the Thai/Lao border, and in the mountainous regions of northern and western Laos. Thailand produces as much as 70 tons of opium in good years; but the acreage planted in 1980 increased substantially and the favorable weather conditions were expected to increase the opium yield per hectare. Laos is capable of producing between 70 and 100 tons in an average year. The 1980-1981 crop will probably yield approximately 50 tons.

Individuals and caravans transport the opium over difficult terrain to rudimentary, clandestine conversion laboratories hidden along about 100 miles on both sides of the Burma/Thai border. This area is mountainous, covered by jungles and is virtually inacessible from Burma. At any one time, there may be from 9 to 15 active laboratories. Enforcement actions often temporarily disrupt activities in the laboratories, but as they are only bamboo and tin roof structures, they can easily be reestablished.

The distributing of opium and the refining of heroin along the Burma/Thai border is largely under the control of the Shan United Army (SUA), an insurgent, separatist organization. The SUA, which is closely allied with the Burmese Communist Party, is thought to be comprised of 3,500 -- 5,500 soldiers, and is led by a Shan-born Chinese, Chang Chi Fu. He is, without a doubt, the most powerful player in the theatre of production and trafficking of heroin from this area. His armed SUA controls and protects at least 70 percent of the refineries in Burma and supplies heroin to ethnic Chinese trafficking organizations in Thailand. These organizations have distribution connections to their countrymen throughout the world.

Chang Chi Fu lives in Thailand just inside the border but crosses back and forth from Burma with impugnity. He is wanted by both the Thai and Burmese authorities; however, he has managed to avoid arrest.

As a consequence of stepped-up Thai response to drug trafficking at the border, some raw opium and partially refined heroin is now shipped overland to southern Burmese ports or to ports on the Gulf of Thailand. From there it is sent by trawler to southern Thailand at the Malay border and to Thai and Malay islands, where a number of refineries have recently appeared. These refineries are involved in intermediate processing and ship their product to Hong Kong for refinement into high-quality heroin.

Even when there was a general reduced availability of opium from Southeast Asia, heroin production in Hong Kong remained at a constant level. Sharply increased seizures in the first half of 1981 reflect the dramatic upsurge in activity following in the wake of the harvest of the bumper crop. Officials in Hong Kong have expressed concern that although past enforcement activity had effectively controlled the situation, the Crown Colony is now growing in significance as a heroin processing and transshipment point.

The laboratories that have been seized in Hong Kong convert heroin base into heroin No. 3 or No. 4. This is a relatively fast, odorless and simple process, that does not require acetic anhydride, a precursor chemical which is extremely difficult to obtain in Hong Kong. Further, there is information developed from investigations which has implicated "old name" heroin traffickers, once thought to be eliminated, in the international trafficking of Southeast Asian heroin from Hong Kong to European cities.

There is also some information which suggests that there is heroin refining activity in the third corner of the Golden Triangle, Laos. It has been postulated that the Laotian government is encouraging opium production in order to bolster their foreign exchange.

In general, Southeast Asian heroin trafficking activity has been accelerating since late 1980 as narcotics stocks were being unloaded in anticipation of the forthcoming enormous harvest. This phenomenon has been most evident in Thailand, where arrangements for narcotics purchases, sales and the movement of opiates and enforcement counteractions have increased. Several major Sino-Thai trafficking syndicates have been aggressively working on the development of heroin smuggling systems from the Far East to the United States, utilizing established routes and new ones which now transit Mexico or the Caribbean. Other organizations have established themselves by investing in legitimate businesses and property in the United States. Reportedly, some Chinese traffickers have also begun preparations to resume their activities in the Netherlands and Europe.

Another development of concern to law enforcement officials regards the smuggling of marihuana grown in Southeast Asia. Thailand is the focus of this activity, but the Philippines and Indonesia are also becoming more involved. A number of U.S., Australian, and New Zealand traffickers who reside in Southeast Asia have moved multi-ton shipments of Thai sticks (marihuana) and some heroin by sea from South Thailand to various ports in Asia, the Pacific and North America. This trafficking mode could become increasingly significant as Southeast Asian heroin availability continues to rise.

Also of concern to law enforcement is the involvement of Japanese organized crime, known as the Yakuza, in a number of illegal activities, which includes drug trafficking. In the past, this activity has been focused on the importation of guns and illegally produced methamphetamine (mostly from Korea) into Japan. These organized crime elements have, of late, expanded their operations into the Pacific basin, Hawaii and along the West Coast.

Despite an increased level of commitment and effort, enforcement initiatives conducted by Southeast Asian governments, have been, for the most part much less than is needed to curtail or affect opium growing or narcotics production and trafficking in or from the Golden Triangle. Enforcement officials generally concede that no more than 10 percent of the heroin refined in the Golden Triangle is interdicted. One U.S. official stationed in Southeast Asia captured the frustrations as he described attempts at narcotics suppression as "...(trying to) empty the ocean with a teacup." Nonetheless, the world community must continue to address this problem using every approach known to us in the supply and demand control models. There must be realistic crop control programs, diligent enforcement operations, legislative reform and above all, cooperation.

Our primary goal is to reduce as rapidly as possible to the minimum feasible level the quantity of opium and its derivatives produced in, smuggled through, or consumed in any of the Southeast Asian countries. Obviously, the endeavors directed toward controlling production of the raw material will yield the greatest results.

For at least two centuries, opium has been the major cash crop for the hilltribe farmers in the Shan and Kachin states of Burma. Any actions on the part of the Burmese government must take into account the tradition and livlihoods of these people, and their fierce determination to preserve their heritage and way of life.

In recent years, despite limited manpower and financial resources, the Government of Burma has accelerated both its enforcement program and its research programs on substitute crops, both directions of which are allied closely to their anti-insurgency program. The reality is, however, that Burma simply does not have the resources to sustain actions to counter the Burmese Communist Party (BCP) insurgency and also to move against the well-financed, entrenched narcotics trafficking syndicates.

The Burmese have a limited opium crop destruction program for the Shan state. Poppy crop destruction is conducted manually by both the Burmese Army and by police units in "safe" and "contested" zones in the Shan state. This process is time-consuming and requires substantial on-site security, but the Burmese have no alternative as they are not equipped to eradicate the poppies with a more cost-effective aerial campaign. Unfortunately they cannot effect a destruction program in the "enemy-controlled" areas, where the majority of the opium is cultivated. Nonetheless, the government's program in the 1980-81 season destroyed almost 6,000 acres, which the Burmese estimated would have yielded roughly 18.5 tons of opium.

Over the past several years, the Burmese Government has launched a series of offensives directed at the movement of the opium by the well-guarded animal and human caravans on the jungle trails to the processing sites. These series of raids, called "Mohein" (literally, "Thunder"), strike at the caravans, blocking their traditional routes, destroying refinery sites and seizing large amounts of narcotics, chemical supplies and precursors, and arms and ammunition.

Again, the geographical, topographical environment protects most of the refineries. The border areas are remote, with a jungle terrain and no access roads. The operators are equipped to move the facilities back and forth across the border into another jurisdiction as the need arises. There is neither government control nor presence in these areas.

The Government of Burma adheres to a policy of political non-alignment and, as a result, has had limited involvement with international fora. It has only been since the late-1970's that the Government has been willing to cooperate in an international narcotics control program. To the credit of the Burmese Government, they have accepted assistance from the United Nations Fund for Drug Abuse Control (UNFDAC) and are pursuing a comprehensive drug control program which addresses law enforcement, agricultural development, education, health, and social welfare.

The Thai Government is also committed to drug control, and is willing to pursue both crop control and enforcement initiatives. The Thais are now facing a burgeoning drug abuse situation within their country and a new, unprecedented wave of violence is threatening the country. As in Burma, the realities of tradition, culture and geography greatly affect action proposals and their outcomes.

The Thais are legitimately concerned with balancing their commitment to support the people of their nation and to support international narcotic control efforts. Opium poppy cultivation is a traditional source of income for the hilltribe farmers of Thailand. Any program to eliminate and/or destroy such cultivation must provide a viable alternative for these peoples, who number between 300,000 and 400,000. The Thais attempted to initiate a system for opium free zones in the northern part of the country during the 1979-80 growing season; however, the difficulties associated with implementing such a program in conjunction with the drought resulted in negligible crop destruction. In light of the record prices, it was difficult for the Government not to sanction the growth and sale of the opium. A similar opium destruction program was planned for the most recent harvest, but again, it never reached fruition.

Currently, approximatley 35 northern villages are involved in crop substitution programs. And although the Government has threathened to destroy illicit crops, enforcement action to back-up this program generallly has not been forthcoming because, as Thai officials have often explained, the substitute crops are not a viable economic alternative for their people. Thus, it is easy to see how the Thai's seemingly "two-step forward, one step back" approach to implementating a crop destruction/substitution/control program is affecting the Government's credibility both domestically and internationally.

Thailand is the key to the traffic in Southeast Asian heroin as a source country and a primary processing and trafficking point. The volume of drug trafficking emanating from Thailand appears to be growing rapidly. Supplementing the elaborate trafficking infrastructure already in place are the increasing numbers of foreign purchasers travelling directly to Thailand, bypassing the traditional courier/trafficking networks. Thus, it is imperative that there be an aggressive, potent enforcement program in this country.

The Thai Government has been embarking on enforcement operations directed against the narcotics trafficking groups operating in Northern Thailand, the area most involved in conversion of raw opium to morphine base and heroin. In the past several years, major offensives have destroyed refineries, narcotics stockpiles, and equipment. Several major precursor chemical and heroin smuggling organizations have been disbanded, although there are many others still operating.

An important diplomatic and enforcement situation that ultimately will have to be resolved concerns unilateral and uncoordinated actions at the Thai/Burma border. Historically, the Thai and Burmese have distrusted each. Recently, much of this animosity has been focused on the activities of Chang Chi Fu who, from the Burmese perspective, has been untouched by the Thais because his Shan United Army acts as a Communist buffer in Thailand. Burmese officials have expressed concern that the Thai tolerance of Chang Chi Fu's activities compromises and detracts from the effectiveness of law enforcement efforts.

The Thai Government now has resolved to arrest Chang Chi Fu, but needs support from Burma and other financial assistance to sustain such an operation. Both Thai and Burmese law enforcement and high level officials have met with each other and spoken of their willingness to cooperate and their hopes that cooperation and relations between the two countries improves.

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In another regard, cooperative enforcement efforts among several Southeast Asian nations have led to unprecedented ventures to attack the profits of heroin traffickers. The Hong Kong Government has emerged as a leader of Southeast Asian governments in the effort to reach traffickers through financial investigations. This is a natural response because of Hong Kong's position as a major international financial center. Hong Kong is a free currency market, which means that any amount of cash or gold can be brought into or taken from Hong Kong without restriction. This environment is tailor-made for international drug trafficking organizations. Bank security regulations also aid individuals who wish to disguise their fortunes. Hong Kong also serves as the center of the so-called "Chinese underground banking system", whereby money is transferred between countries by using gold shops and money lenders as conduits. This system is virtually as safe for the traffickers as a bank transfer, and it leaves no paper-work trail.

DEA has been at the forefront of drug-related financial investigations and has been actively encouraging countries to monitor the flow of illicit funds within their jurisdiction to consider the enactment of new, or the enforcement of existing, legislation calling for the seizure of narcotics-derived assets.

Just over a year ago, the Hong Kong Narcotics Bureau sponsored a seminar for law enforcement officials from Malaysia, Singapore, Thailand, Canada, The Netherlands and the United States to discuss drug-related financial investigations and cash flows. An immediate outcome was that the participants agreed to exchange intelligence on narcotics-related transactions and to mount cooperative enforcement operations against drug traffickers. They also set up an ad hoc working group to investigate Southeast Asian trafficking organizations.

Analysis of successful investigations conducted thereafter enabled authorities to identify specific organizations specializing in moving illicit profits and proceeds and to determine the destination of their monies. Authorities in Hong Kong, Singapore, and Malaysia have been able to document the movement of extremely large sums of money to Thailand. Based on a review of these investigations, it has been shown that nearly all narcotics-generated funds are ending up in Thailand. These investigations were instrumental in prompting the Malaysian Government to propose the enactment of a law to seize illegally obtained assets. Further, the Government has recently imposed a requirement on all banks to identify all individuals transferring funds throughout Malaysian banks. In Hong Kong, law enforcement authorities are seeking legislation that would allow the courts to "strip traffickers of their massive profits gained from peddling drugs." Hong Kong law already provides for the imposition of stiff fines- up to $1 million upon conviction. Unfortunately, although Thailand has laws controlling currency, there is little or no enforcement of these provisions.

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The State Department funded East Asia Regional Demand/Supply Reduction program is designed to impede illicit production, processing, trafficking and consumption. As DEA is involved primarily with the law enforcement approach, I will defer to the State Department regarding the other elements of the program. DEA is committed to supporting a high-impact enforcement strategy to immobilize major drug trafficking organizations by removing the leaders and the assets upon which these organziations depend. DEA has Special Agents in 3 cities in Thailand, Hong Kong, Malaysia, Japan, Korea, Singapore, the Phillipines and Indonesia to support our counterparts in disrupting the flow of drugs at the highest levels of trafficking. We are seeing results from our initiatives which have included drug intelligence collection and exchange activities. We have seen, for example, the Royal Malaysian police expand their presence to two important transshipment areas. And we have noted, for example, that since the beginning of this year, DEA foreign cooperative efforts in Thailand have resulted in the arrest of a large number of traffickers, including 30 Class I violators, and the seizure of approximately 1,000 pounds of heroin or opiate equivalent.

The trafficking of Southeast Asian heroin is once again accelerating, and is emerging with trafficking patterns not seen before. This problem is beyond the resources of any one nation. It is clear that international cooperation is our only option if we are to contain the potentially devastating impact of heroin from the Golden Triangle.

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South America and the Caribbean

I would now like to shift attention away from heroin and devote the balance of my remarks to those drugs that account for three-fourths of the drugs consumed worldwide. The abuse of cocaine, marihuana and dangerous drugs is widespread in the United States and elsewhere in the world.

These drugs are big business. Cocaine is a top illicit income producer, generating billions of dollars in U.S. retail sales. Marihuana generates billions more. These are untaxed dollars altering the economy in our country. No less important at the wholesale level, these narco-dollars are undermining the economic stability of our South American neighbors, fueling inflation, altering the balance of trade and, in some cases, wreaking havoc with their gross national product.

In some poor rural regions the lure of an easy cash crop has displaced much-needed food cultivation. The problems spill over into the political arena; drug dollars support terrorist organizations and corrupt officials at all levels.

As with heroin, in planning a continuum of U.S. Government programs, action is needed immediately to reverse the accelerating trend of abuse and trafficking. Realistic crop control programs need to be set in motion and supported. Cooperative, bilateral and multilateral agendas need to be pursued so that the process of institution building can proceed without delay and self-sufficient programs can be left in force. Lastly, aggressive enforcement programs need, in some cases, to be developed and, in others, sustained.

Cocaine and the vast majority of marihuana consumed in the U.S. are foreign sourced: up to 70 percent of the cocaine hydrochloride comes from Colombia, as does up to approximately 70 percent of the marihuana. Jamaica, a rapidly growing supplier, produces upwards of 10 percent of the marihuana to the United States, having surpassed Mexico as the number two source country. Crop production estimates vary widely because the size of the areas under cultivation are not known with certainty. We are currently working on cooperative ventures with some of the source countries to more precisely determine this volume.

Cocaine production begins with cultivation of the coca leaf, which must be refined in several stages before the final product, cocaine hydrochloride, results. Peru is the largest producer of coca leaves, supplying about 60 percent of the raw material. Although there is some illicit coca leaf production elsewhere in South America, the vast majority of the balance of leaf cultivation is in Bolivia.

A Peruvian regulatory agency (ENACO) oversees the licit cultivation of the coca leaf which is required for legitimate pharmaceutical needs and to meet the needs of the indigenous population who traditionally chew the coca leaf. However, less than half the production in Peru is required to meet these licit needs. Total annual coca leaf production estimates in Peru range from 35,000 to 60,000 metric tons. About half of this cultivation is in Cuzco, the remainder is in the Tingo Maria area of Huanuco and scattered among the other 10 departments. As a result of the Peruvian government's steady enforcement pressure and coca destruction programs in the Tingo Maria region, there has been a noticeable shift in illicit cultivation to the Cuzco area.

The illicit coca is processed into coca paste and coca base in Peru prior to final processing into cocaine hydrochloride in clandestine conversion laboratories located predominantly in Colombia. The small farmers sell their leaf directly to the traffickers; the larger plantations are involved in the paste conversion process and deal directly with Colombian or Ecuadorian traffickers. It is estimated that 70-80 percent of Peruvian output is destined for Colombia for final processing. There are 12-15 major Colombian trafficking organizations which dominate these operations.

Other South American nations are involved to varying degrees in the cocaine trade. Brazil's role is becoming more important. There is far less concern about her traditional, limited coca cultivation by the Amazon Indians than her stature as a primary source of essential chemicals needed in the production of cocaine. Brazil furnished an estimated 90 percent of the acetone and/or ether used in conversion laboratories operated by Bolivian traffickers. Also, as enforcement efforts in other countries displace the traffickers, Brazil is increasingly being utilized as a secondary transit country. Argentina, Venezuela and Chile also have recurring waves of experience as processing and transshipment points for both large and small amounts of cocaine.

Of course, the processes involved with marihuana are no where near as complex--it is simply a matter of cultivation, harvest and transshipment. Colombia is the primary source country. There may be as many as 100,000 acres under cultivation throughout the country, but the majority is concentrated in the Sierra Nevada range in northern Colombia. Cultivation areas of lesser significance include the eastern plains and portions of the southwest. Multi-thousand ton quantities are regularly passed from the farmers to the trafficking groups operating along primarily the northern coast, the Guajira.

The U.S. Embassy in Bogota reports that large marihuana supplies remain available in Colombia. Typical harvests, which occur in the fall and spring, have been yielding between 23,000 and 25,000 metric tons. In short, there is far more cultivation than is needed to support the U.S. market.

Over the past two years, Jamaica has been the most rapidly growing supplier of marihuana to the illicit U.S. market. From 1978 to 1980, cultivation may have increased by as much as from five to seven fold. Preliminary estimates for 1980 are in the range of 1,100 to 1,400 metric tons.

Because of the bulk involved in moving large quantities of marihuana from Colombia, it is smuggled most often by vessel through the Caribbean with ultimate destinations along the U.S. Atlantic and Gulf Coasts. Traffickers also utilize twin engine aircraft, like the DC-3 and DC-6, to smuggle marihuana. The Guajira peninsula provides a natural, tailor-made point from which to begin the transshipment process. This desolate north coast is the ideal setting for clandestine airstrips and it can also cloak and thus accomodate caravans of vehicles needed to carry tons of marihuana right to the shoreline where canoes are utilized to load motherships, which take cover in the many bays. It would be possible, for example, that on cue a battalion of traffickers could emerge and meet the mothership, load it with 20 tons of marihuana, and take off--all within a few hours. Obviously, this presents overwhelming obstacles for law enforcement.

The islands of the Caribbean are convenient and increasingly significant stepping stones for large supplies of South American drugs on their way to market in North America. As a consequence of geography, the islands form a natural roadway between the major trafficking source in Colombia and the market and transshipment infrastructure in Florida. As interdiction and enforcement pressure from Colombia and the United States has increased, the traffickers have gone to the Caribbean for sanctuary and subsistence. Primary enforcement targets--large drug shipments by air and sea--can be protected by being offloaded on one of the islands, stashed, or immediately transferred to a smaller vessel, which has a better chance of escaping interdiction. Aircraft have found protected refueling locations. The islands offer hospitable neutral ground for negotiations between South American sellers and American and European buyers. Jamaican marihuana traffickers have the same air and sea options without first having to cope with transferring their loads to smaller vessels.

The Caribbean also offers the greatest concentration of financial havens of any area in the world. These banking centers provide varying degrees of bank secrecy, tax benefits and investment advantages, all of which in concert enable the trafficking syndicates to evade taxes and launder the profits of their illegal ventures.

Our South American and Caribbean neighbors are sensitive and responsive to the drug-related problems we in the United States are experiencing. They are, however, legitimately more concerned about the economic, political and social consequences that the drug trafficking phenomena produce in their own countries. The Peruvians, for example, are very concerned about the realities of food displacement, as the country must now import commodities it used to export because the farmers are planting more lucrative drug crops.

The many initiatives and responses of the source country governments to control the drug production in their nations are important. In many instances these officials are facing tremendous opposition from various powerful elements. It is incumbent upon us to support their crop control and enforcement activities.

For example, we can look at the situation in Peru to see the progress being made in light of formidable problems. The government is very sensitive to its international commitment to coca control and yet it must consider the impact of such projects on its peoples' deep-rooted, generations old traditional and economic dependence on the coca bush.

In March 1978, the Peruvian Government passed a major piece of narcotics legislation to repress the drug traffic and establish a system to gradually phase out illicit cultivation by 1985 and to reduce licit coca cultivation to a minimum. They then launched a short-term operation to identify and survey the areas under cultivation and to re-assert production controls, to take enforcement actions against violators, and to gauge the reactions of the local campesinos (farmers). Then in March 1980, in response to a rapid escalation in illicit production, the Peruvian Government passed a new decree further controlling coca leaf cultivation, providing for crop destruction and seizure of illicitly used land and equipment. An important component of the program focuses on the Government's willingness and ability to provide for economic development and assistance in the rural areas that have depended for so long on coca.

Such a program is actively being developed and implemented in the Tingo Maria region. The Upper Huallaga Valley project is a bilateral, long-term approach designed to offer this area economic assistance via agricultural development assistance and incentives to coca farmers to destroy their illegal crops, while simultaneously supporting Peruvian enforcement entities with the wherewithal to conduct eradication campaigns and vigorous enforcement programs to suppress traffic in coca and cocaine paste. The Government of Peru has pledged its support and is committing approximately $40 million of its resources to complement the funding provided by the U.S. Agency for International Development (AID), the State Department's Bureau of International Narcotic Matters and international development banks.

The Colombian Government is supportive of international drug control objectives. Their commitment to drug enforcement is also founded in its national concerns regarding drugs as a means of financing terrorist organizations, of corrupting public officials, and as a means of supporting a take-over government, like in Bolivia. Legitimate commerce has been drastically affected by the abundance of money and limited number of goods to buy.

The Colombian National Police replaced the military on the Guajira about nine months ago to conduct interdiction campaigns against the marihuana and, to a lesser extent, cocaine and methaqualone traffickers. They have been very successful; seizures are up dramatically during the nine months the National Police have been operating. They have been disrupting the traffic and have been consistently seizing 100-200 tons of marihuana a month. Still, the traffickers have the clear advantage and drug traffic continues.

DEA is working with the National Police in this program by providing them with intelligence and assisting with their intelligence collection. Similarly, DEA is working with the Colombian Judicial Police to improve their cocaine interdiction capabilities. A critical element of such an approach focuses on essential chemical control. Several years ago, DEA coordinated a multilateral probe which focused on the diversion of acetone and ether from Brazil and how it moved to Bolivian laboratories. In so doing, various cocaine producing organizations were identified and quantities of their chemicals were seized. The Government of Brazil has since instituted an essential chemical control program which has been instrumental in assisting the international community disrupt cocaine production and trafficking.

The cultivation and trafficking of marihuana in Jamaica has been both a blessing and a curse to that country. Save for the profits of marihuana, the country may have long ago been bankrupt. However, the trafficking of this illicit substance is creating a serious security problem for the government. They are also realistically concerned about the potential corruption that so often accompanies drug money and the tarnished image Jamaica is presenting to the world as a nation reliant on marihuana for survival. Prime Minister Seaga has candidly acknowledged the dilemma his country faces and has stated his intentions to work with the international community to resolve the many problems in Jamaica.

Of course, in Bolivia the central problems with source control persist. Since the July 1980 shift in power, cocaine production and trafficking have exploded. Trafficking on the streets of Santa Cruz is done openly and the economic destruction of the city is becoming more apparent. In 1980, Bolivia was the traceable source for approximately 25 percent of the cocaine hydrochloride seized in international smuggling incidents. Although the United States had been working with the Bolivians on several cultivation control and enforcement initiatives, since the July 1980 junta, none of those programs have been pursued. Although the new government has declared its intentions to control cultivation and trafficking, it remains to be seen whether there will be any substantive change.

DEA Special Agents were called back from Bolivia shortly after the junta, but just recently one agent returned to La Paz. There is also an effective cadre of agents stationed in three Colombian cities, Peru, Ecuador, Brazil, Venezuela, Argentina and Chile.

DEA also led a cooperative multilateral effort which is having a tremendous impact in the volume of illicit methaqualone trafficking. Except for marihuana, methaqualone (often called by a trade name, Quaalude) is the most heavily abused drug by teenagers and young adults in the United States. The first significant increase in the abuse and trafficking began in the fall of 1978. Since then, availability has increased geometrically.

Methaqualone seizures rose from 900,000 dosage units in 1978 to 24 million in the first six months of 1981. The majority of these seizures have been in Florida, which reflects that state's proximity to the South American sources and the number of polydrug violators residing there.

The process of counterfeiting Quaaludes starts with the methaqualone base that is manufactured in commercial pharmaceutical firms in West Germany, Hungary and Italy. Laboratory operators use false bills of lading and mislabeling and take advantage of the free ports of Hamburg, West Germany; Colon, Panama and Barranquilla, Colombia to have the base shipped to them in Colombia and Mexico. Counterfeit Quaaludes are primarily manufactured in clandestine laboratories in Colombia and then smuggled into the United States via aircraft and maritime vessels, sometimes as a secondary cargo to marihuana and, increasingly, as the sole cargo. As with the trafficking of other drugs, there is a tremendous markup all through the manufacturing process and vast profits are realized.

Since early 1981, DEA and U.S. State Department officials have met in separate discussions with representatives of the Governments of West Germany, Austria and Hungary to solicit their cooperation in resolving the methaqualone problem. As a result, Hungary has decided to discontinue production of methaqualone base, and Austria and West Germany have taken measures to impose significantly tighter controls on importing and exporting this substance. It is projected that these actions will virtually shut off the source for Latin American traffickers. DEA officials have also been working with Colombian counterparts to disrupt the methaqualone trafficking through a series of enforcement actions, which continue to be very successful.

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Senators, I needn't describe to you in detail how the trafficking of controlled substances is affecting our nation. Each of you is aware of the drug abuse and trafficking situation in your home state. Drug trafficking is a problem that reaches every part of our country. One sector however--the Southeast--has been and continues to be especially hard hit.

This situation is a consequence of proximity to the sources in Central and South America and a geographical environment that is more than accomodating to small smuggling maritime vessels and aircraft. The tourist industry, the influx of immigrants from source countries, and Miami's position in international trade and finance centers all work to assure this area's preeminent position in drug trafficking. Successful enforcement activity at the Federal, State and local level in Florida has displaced the trafficking up the East Coast and all across the Gulf Coast. Successful financial investigations in south Florida have displaced some of the drug dollars to Texas and Georgia.

Our investigative endeavors are focused on the highest levels of trafficking and are directed at incarcerating the violators, interdicting the drugs and depriving the trafficking organizations of their profits and proceeds of their illegal ventures. DEA utilizes CENTAC (Central Tactical Units) and Mobile Task Forces (MTF) to concentrate on national and international drug trafficking conspiracies.

One such MTF, Operation Grouper, illustrates how DEA is proceeding in close cooperation with other enforcement agencies to immobilize major trafficking syndicates. The U.S. Customs Service, the U.S. Coast Guard and Florida State and local officials assisted DEA in this unique, extensive undercover investigation of 15 major maritime smuggling groups that were operating in south Florida. The investigation was designed to reach the ringleaders rather than the couriers and mid-level dealers. The drug seizures were massive over the 22-month operation: 1.2 million pounds of marihuana, 831 pounds of cocaine and 3 million tablets of methaqualone. The Miami Regional Intelligence office has estimated that these trafficking groups may have been responsible for as much as 30 to 40 percent of the marihuana being smuggled into the United States. The arrests of 45 Class I and 34 Class II violators have had a significant impact on maritime trafficking in the area. Although there is always a ready reserve to replace the seized drugs, there is no way that these organizations can function without their leadership.

The routine participation of FBI, IRS and U.S. Customs agents, as appropriate, in CENTAC and MTF operations is bringing special expertise to these operational efforts concerning organized crime, drug-related assets, drug movement and drug-related violence and corruption, as have ongoing cooperative investigations in the past. A DEA investigation during 1981 resulted in the arrest of the number one money launderer in the Miami area, responsible for moving in excess of $260 million in drug proceeds since 1968. This investigation has been expanded, in conjunction with the IRS, based on seized records. In addition, an integrated U.S. and foreign effort has been intensified to locate a major Colombian trafficker who is estimated to have smuggled in excess of 1,000 kilograms of cocaine per month into the United States via his private island in the Bahamas. A recent 417-pound cocaine seizure, which can be traced to that fugitive, indicates he is continuing this high level of activity. Another CENTAC, initiated in mid-1981, will bring to bear the resources of DEA, the Department of Justice, the Metro-Dade Police Department, other south Florida and Federal law enforcement agencies, as well as the private sector, in a concerted effort to stem the alarming increase in narcotic-related homicides and drug trafficking in south Florida.

Enforcement operations such as Grouper, which focused on the people and the drugs, and Operations Bancoshares and Greenback, which focused on the people and the profits, are effective to the extent that they cause major disruptions to the trafficking of drugs. However, enforcement actions are holding actions, a finger in the dike. There is ample cultivation and vast stockpiles of the drugs to compensate for seizures. Equipment can readily be replaced. The profits derived from successfully smuggling drugs into the United States are so vast that a major organization could conceivably lose between 50 and 70 percent of its shipments (depending on the drug involved) and still not suffer a fatal financial loss. The upper-echelons of the trafficking syndicates insulate themselves from contact with elaborate money laundering schemes.

What is needed is a firm commitment, a clear policy, that we will no longer tolerate drug trafficking and that we will take action on all fronts. Most importantly, and I cannot stress this enough, we must convince our international brethern that the United States is deeply committed to minimizing, to the fullest extent, the worldwide drug problem.

Other nations perceive our past signals as ambivalence to drug control. They are skeptical about our own inability to suppress domestic marihuana cultivation and our being prevented from working towards eradication through herbicidal eradication. From another nation's perspective, our track record regarding bail and sentencing of upper-level drug defendants does not convey a sense of disapproval.

An important step toward demonstrating our commitment, and one which is imperative if we are to have a real impact on drug trafficking, was addressed by the Attorney General at a recent Senate hearing. His statement bears repeating,

> "The most efficient and effective way to control narcotics is by eradicating them at their source. With respect to marijuana, source eradication is possible through use of herbicides such as paraquat, a product used widely to suppress weeds in connection with the production of agricultural crops. Although thoroughly tested and approved as safe for use as a herbicide, considerable controversy has developed regarding the potential health impact should marijuana which has been treated with herbicides be harvested and sold to consumers.
>
> Although we appreciate the health concerns surrounding herbicide use, we believe them to be speculative for two reasons. First, there is no clear evidence that herbicide-treated marijuana poses any significantly greater health hazard than non-treated marijuana. Second, herbicides destroy marijuana crops within a matter of days with the result that it is unlikely that any significant volume of treated marijuana will find its way to consumers. Moreover, we believe that the long-term health effects of marijuana use, particularly use by young people, many of whom are pre-teenage children, are such a serious health threat as to justify herbicide use as a means of curbing the national marijuana problem.
>
> In furtherance of our goal to eradicate marijuana at its source, the Department of Justice will submit two separate bills to the Congress for consideration. The first bill would repeal the existing restriction upon assistance to foreign governments for herbicide spraying programs. The second would expressly authorize federal officials to conduct, and to assist States in conducting, marijuana eradication programs through herbicide use.

The drug enforcement enterprise needs to capitalize on all the resources available to it. Progress is being made in involving the Navy in spotting ships and aircraft suspected of smuggling drugs and in obtaining other intelligence and information from them regarding drug traffic. We anticipate further assistance from the Department of Defense once further exceptions to the Posse Comitatus Act are enacted. It will be welcome support.

The President's crime control program also contains provisions that are a clear signal of the United States' intent to crack down on drug traffickers. I believe that it is important to amend the current law to better enable the law enforcement community to seize and forfeit the traffickers' profits and proceeds. The bail and sentencing reform proposals are needed measures to correct deficiencies and inequities in the criminal justice system. Amendments to the Freedom of Information Act which would ensure nondisclosure of information provided by state, local and foreign police authorities would be most beneficial, as would the other proposed amendments to this Act.

We are working on the development of new strategies to contend with the crime attendant with drug traffic. By combining the FBI's financial investigation of major distribution networks and DEA's ability to penetrate these networks, we are going to be able to reach higher level narcotics traffickers and move against the complex money flow that finances their lucrative criminal enterprises. FBI expertise in combatting organized criminal groups with productive and sophisticated investigative techniques will be extremely helpful. Already, the number of joint DEA/FBI investigations has increased by four-fold since July.

Drugs are a root of the violent crime we are experiencing in the United States and around the world. If we bring to bear the full resources of the U.S. State Department, the Defense Department, the Treasury Department, the U.S. Coast Guard, and our foreign leaders and their people, we can have an impact on drug production, trafficking and abuse. We pledge to do our utmost and, as always, look forward to working with the Congress to develop and move forward with an aggressive strategy to combat this significant problem.

Proposed 1982 Reductions

	Pos.	WY	$	Comment
1. Abolish Regional Offices...............	125	63	$1,750,000	44 agents eliminated
2. Overseas reductions...................	32	16	960,000	21 agents eliminated
3. Intelligence...........................	50	25	800,000	
4. Travel.................................	...	...	2,500,000	
5. State and local task forces............	114	55	6,700,000	87 agents eliminated
6. Representational offices...............	50	25	950,000	50 agents eliminated
7. Compliance.............................	30	15	510,000	
8. D.C. laboratory (support of MPD).......	15	8	320,000	
9. Training - HQ (CTAP/Exec. Development).	9	5	415,000	
10. PE/PI..................................	...	...	1,000,000	$200,000 SFIP, $800,000 DEA
11. Research and development...............	...	...	1,200,000	
12. Equipment..............................	...	...	5,307,000	Vehicles $900,000, DATS $740,000, Operating $68,000, Lab Equipment $359,000, Aircraft $360,000, Technical Investigations $425,000, Radio $455,000, Voice Privacy $2,000,000.
13. Two week furlough......................	...	135	4,701,000	
14. State and local training...............	9	5	310,000	9 agents eliminated
Total savings..........................	434	352	[redacted]	[redacted]

10-6-81

FY 1982 Budget Reductions
(Dollars in thousands)

Organization	1982 March Budget Request FTE	1982 March Budget Request Amount	Revised 1982 Budget FTE	Revised 1982 Budget Amount	Reduction FTE	Reduction Amount
Drug Enforcement Administration..........	3,930	$228,524	3,~~538~~ 76	$201,101	~~-392~~ 352	-$27,423
1. Enforcement of Federal law and investigations:						
Domestic enforcement...	1,916	109,236	1,760	100,214	-156	-9,022

Net savings of 125 positions (including 44 agents) and $1,750,000 will result from the abolishment of the Domestic Regional Offices (New York, Miami, Chicago, Dallas, and Los Angeles) and the adoption of direct-reporting of District Offices to Headquarters and the centralization of administrative functions. Direct-reporting of all foreign District Offices was implemented in the 1979-81 period without seriously impacting enforcement operations, while some economies were realized. From a program perspective, it is anticipated that similar results could be expected following the phasing out of the Domestic Regional Offices.

A savings of 50 agent positions and $950,000 could be achieved by closing twenty-four representational Resident Offices (offices with only 1-2 agents). Currently, such field offices are present throughout the United States, primarily in sparsely populated geograhical areas. In many cases, a Resident Office is the sole DEA enforcement liaison for the entire State, e.g.:

Portland, Maine
Concord, New Hampshire
Burlington, Vermont
Providence, Rhode Island
Jackson, Mississippi
Fargo, North Dakota
Omaha, Nebraska
Wichita, Kansas
Des Moines, Iowa
Sioux Falls, South Dakota
Cheyenne, Wyoming
Great Falls, Montana

From a program standpoint, the functions of these offices could be assumed by the nearest operational field office in another State to ensure continued drug enforcement support in the affected area. [redacted]. In most instances, representational Resident Offices have been considered to be cost effective in that such offices, through liaison and coordination with State and multi-county police forces, have been useful in focusing increased non-Federal resources on drug trafficking problems.

A reduction of $800,000 in funding of PE/PI could be achieved while still providing for a continuity of enforcement efforts against priority objectives. While it is not possible to project the impact on any given geographic area, the overall result will be an 8 percent reduction of drugs and information purchases.

In [redacted]. [redacted] little impact on dangerous drug activity, but [redacted]. The nature of the heroin traffic requires a higher investment of PE/PI versus other drugs, whereas the nature of the dangerous drug traffic requires a smaller PE/PI investment. To illustrate this, in FY 81 DEA expended 33% of its workyears and 54% of its PE/PI on heroin investigations, and 16.4% of its workyears and 10% of its PE/PI on dangerous drug investigations. The reasons for this are that heroin is the most expensive drug, and undercover purchases are a core technique in heroin investigations. On the other hand, many dangerous drug investigations involve locating clandestine laboratories through leads supplied by commercial chemical suppliers, with little or no need for PE/PI.

DEA could purchase 100 replacement vehicles rather than the original budget plan that called for acquiring 277 new vehicles. This represents a $900,000 equipment program reduction--177 fewer vehicles. This reduction should not impact immediately on enforcement operations, though no replacement vehicles were authorized for purchase in either 1980 or 1981 and the current motor vehicle fleet contains a disproportionate number of older vehicles with very high mileage. Maintenance costs of such vehicles usually increase in direct proportion to the age of the vehicle. Therefore, increased servicing and maintenance costs will be incurred which will reduce the overall availability of operational funds utilized for ongoing investigations.

A minimal amount of funding for the purchase of operating equipment could be deferred ($68,000) during 1982.

$740,000 for encryption of the DATS system could be deleted. Failure to acquire these devices will continue to expose DEA's highly sensitive drug-related criminal enforcement case data to the possibility of overt and covert interception. In foreign enforcement efforts it would make this data readily available to a Federal agency (Department of State) without such releases being registered as required by the Privacy Act of 1974.

In order to reduce 1982 operations by 12%, it would be necessary to achieve payroll savings through the imposition of a two-week furlough of all employees of DEA. The savings in this program element would amount to $2,401,000.

A 25% reduction in travel would save $1,413,000 in domestic enforcement; there would be a comparable reduction in oversight of program operations and in investigative support activities. [redacted] Ongoing investigations of high level cases could continue with minimum inhibition as a result of travel fund reductions.

Organization	1982 March Budget Request FTE	1982 March Budget Request Amount	Revised 1982 Budget FTE	Revised 1982 Budget Amount	Reduction FTE	Reduction Amount
Foreign Cooperative Investigations..........	388	$28,706	358	$26,862	-30	-$1,844

The United States Government's drug effort overseas has experienced the loss of approximately 100 positions since 1975. An additional reduction of 12 percent (32 positions and $960,000, all personnel related) could be achieved, though not without impact on DEA's ability to effectively carry out the President's programs to stem the flow of heroin and other illicit drugs into the United States. Th[redacted] as Cyprus, Greece, Belgrade, and Bern, and [redacted].

Reductions in resources budgeted for Guadalajara, Mazatlan and Monterey would impact on efforts to prevent Mexican heroin from again becoming the threat it once was in the United States.

In South America reductions could be made i[redacted] and in [redacted].

	Special Agents	Intelligence Analysts	Clerical	Total
Cyprus	2		1	3
Belgrade	1		1	2
Bern	1		1	2
Athens	1			1
Seoul	2		1	3
Bangkok	4	1	1	6
Hong Kong		1	1	2
Barranquilla	2			2
Lima	2		1	3
La Paz	2			2
Bogota		1		1
Nassau	1			1
Jamaica	1			1
Guadalajara	1			1
Mazatlan	1			1
Monterrey			1	1
Totals	21	3	8	32

In order to reduce 1982 operations by 12%, it is necessary to achieve payroll savings through the imposition of a two-week furlough of all employees. The savings in this program element would amount to $498,000.

A 25% reduction in travel ($386,000) is proposed which will result in a limitation on oversight of program operations and on investigative support activities.

	1982 March Budget Request		Revised 1982 Budget		Reduction	
Organization	FTE	Amount	FTE	Amount	FTE	Amount
Compliance and Regulation	369	$15,488	342	$14,468	-27	$1,020

A decrease of 30 positions, ($510,000) in addition to the 47 position reduction in the original FY 82 budget will decrease by approximately 40 percent the number of criminal registrant investigations conducted. The ARCOS system could be discontinued, which will totally eliminate pretargeting of registrant violators. The most significant G-DEP I and II violators could not be identified and subsequently targeted for investigation, and ARCOS data would no longer be available to assist state agencies in conducting registrant investigations as required by recent legislation (H.R. 96-936).

In order to reduce 1982 operations by 12%, it is necessary to achieve payroll savings through the imposition of a two-week furlough of all employees of DEA. The savings in this program element would be $415,000.

A 25% reduction in travel costs ($95,000) would result in a limitation on oversight of program operations and on investigative support activities.

Organization	1982 March Budget Request FTE	1982 March Budget Request Amount	Revised 1982 Budget FTE	Revised 1982 Budget Amount	Reduction FTE	Reduction Amount
State and Local Assistance:						
State and local Training program...............	39	$2,500	32	$2,118	-7	-$382
State and local laboratory services program......	30	1,898	21	1,510	-9	-388
State and lcoal task forces program........	109	8,859	54	2,159	-55	-6,700
Diversion investigative unit program..........	11	700	11	700	...	...
Total	189	13,957	118	6,487	-71	-7,470
State and local training..	39	2,500	32	2,118	-7	-382

It is possible to reduce State and local training activities by 9 agent positions (payroll - $200,000, program - $110,000); this would eliminate the capacity to train 4,500 officers.

Payroll savings of $52,000 could be achieved in this program element through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($20,000) would result in a limitation on oversight of program operations and on investigative support activities.

Organization	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
State and local laboratory services................	30	$1,898	21	$1,510	-9	-$388

The 15 positions and $320,000 (13 chemists and 2 professional/technical) decrease could be attained through the elimination of all forensic laboratory support (chemical analysis of controlled drug evidence and expert court testimony) currently provided to the Metropolitan Police Department, Washington, D.C. (MPDC). Since the MPDC does not have a forensic laboratory facility or personnel to perform analyses on narcotics and controlled drugs, [redacted]

An additional $29,000 could be achieved by deferring replacement of laboratory equipment.

Payroll savings of $34,000 could be achieved through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($5,000) would result in a limitation on oversight of program operations and on investigative support activities.

Organization	1982 March Budget Request FTE	Amount	Revised 1982 Budget FTE	Amount	Reduction FTE	Amount
State and Local Task Forces.............	109	$8,859	54	$2,159	-55	-$6,700

Under the provisions of the FY 1981 and 1982 executive directive calling for Task Force funding reduction, eight Task Forces are currently being terminated. It is possible to achieve a reduction of an additional $6,700,000 (payroll $2,061,000, program - $4,639,000) by eliminating all remaining funded Task Forces. Task Forces in the following cities would be disbanded: New York, Chicago, Washington, D.C., San Diego, Denver, St. Louis, Lubbock, Philadelphia, Minneapolis, San Jose, Guam and Orlando. Associated with this reduction would be the elimination of 114 positions (including 87 Special Agents) and all other operational funding.

From a program perspective, the training of State and local police personnel in past years, combined with several years of cooperative investigative efforts, should provide a basis for a level of continued cooperative investigations in the Task Forces. However, a significant reduction of Task Force arrests would be expected. Task Force and cooperative arrests have been consistently at, or above, 4,000 per year for the last several years. [redacted] This strategy includes international source suppression through the Foreign Cooperative program, immobilization of major U.S. importers, wholesale distributors and financiers through the Domestic Enforcement program, and demand reduction through the State and Local Task Force Program. Currently, the most severe heroin abuse problems are in New York, Detroit, Washington, D.C., Philadelphia, Boston, Miami and San Francisco. State and Local Task Forces are operational in New York, Washington, D.C. and Philadelphia. The elimination of Task Forces will leave these major heroin markets without cooperative enforcement emphasis.

Organization	1982 March Budget Request FTE	Amount	Revised 1982 Budget FTE	Amount	Reduction FTE	Amount
Diversion investigative unit.....................	11	$700	11	$700	...	...

Organization	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
2. Intelligence...........	362	$17,797	323	$16,228	-39	-$1,569

In view of budgetary reductions which this program has experienced in the recent past, further reductions would seriously impact on the intelligence program's ability to effectively accomplish its major objectives at a time when [redacted]. Nevertheless, it would be possible to achieve a decrease of approximately 25% ($800,000) of DEA's intelligence analyst personnel and a decrease of approximately 30% ($200,000) in the Special Field Intelligence Program funding.

With reduced staff direct support to enforcement operations would be stressed. However, there would be limitations on support of international narcotics cases, conspiracies and financial investigations. Resources would not be available for intelligence participation in joint Federal investigations, including efforts with the Internal Revenue Service. Joint investigative efforts with State and local law enforcement agencies would also be severely impacted as DEA would not be able to participate in joint investigations or to provide responses to requests for information. A decrease in enforcement productivity could be anticipated.

This level of funding would also limit the production of strategic intelligence to approximately half of the demand. The most important recurring strategic products and services, such as development of the Narcotics Intelligence Estimate by the National Narcotics Intelligence Consumers Committee, would be limited in scope and depth; the Quarterly Intelligence Trends publication would be reduced to a semiannual publication, the Monitor and Signature program (which provide Federal, State and local enforcement officials with information about the origins, trafficking patterns and availability of heroin) would be adversely impacted. Less comprehensive intelligence assessments and predictive analyses would require management at all levels to make significant policy decisions with less than adequate information.

Payroll savings of $493,000, could be achieved in this program element through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($76,000) would result in a limitation on oversight of program operations and on investigative support activities.

Organization	1982 March Budget Request FTE	1982 March Budget Request Amount	Revised 1982 Budget FTE	Revised 1982 Budget Amount	Reduction FTE	Reduction Amount
3. Research and Development..........	18	$1,835	17	$616	-1	-$1,219

A reduction of $1,200,000 in budget authority for research and development would have the following impacts:

— The critical elements of Quick Reaction Technical Services and short term research and development would be meet.

— The Voice Privacy development effort would be limited to engineering improvements in the current design; system integration and procurement efforts would be deferred until FY 1983.

— Initiation of other technology development or analytical study efforts would be deferred, and on-going project schedules would be stretched out. These would include:

- International Drug and Chemical Shipment Practices Review
- UHF Audio Systems Development -900 MHz Region
- Illicit Crop Detection and Location Technology Assessment
- Air-Droppable Beacon Study
- Drug Abuse Prevalence Study

Payroll savings of $17,000 could be achieved be through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($2,000) would result in a limitation on oversight of program operations and on investigative support activities.

	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
4. Support operations:						
DEA laboratory services.	174	$9,058	168	$8,443	-6	-$615
DEA training............	25	2,209	24	2,051	-1	-158
Technical operations....	116	13,631	111	10,133	-5	-3,498
Total.................	315	24,898	303	20,627	-12	-4,271

	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
DEA laboratory services.	174	$9,058	168	$8,443	-6	-$615

A $330,000 decrease would be attained through postponement of all replacements of obsolete laboratory equipment for 1982. This reduction would result in increased laboratory equipment downtime and repair costs; it would increase the time of analysis and extend evidence turn-around time. The needs of DEA Special Agents for analytical results in undercover operations and continuing investigations, and the prosecution requirements of the Speedy Trial Act, may not be met in all instances.

Payroll savings of $224,000 could be achieved in this program element through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($61,000) would result in a limitation on oversight of program operations and on investigative support activities.

	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
DEA training............	25	$2,209	24	$2,051	-1	-$158

Payroll savings of $27,000 could be achieved in this program element through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($131,000) would reduce in-service training for DEA core personnel.

Organization	1982 March Budget Request FTE	1982 March Budget Request Amount	Revised 1982 Budget FTE	Revised 1982 Budget Amount	Reduction FTE	Reduction Amount
Technical Operations......	116	$13,631	111	$10,333	-5	-$3,498

To achieve a 12 percent reduction it would be necessary to defer most equipment acquisition for FY 1982.

$360,000 could be saved by replacing two single-engine aircraft rather than eight. Older aircraft with limited capability would be kept in active operational status. Enforcement operations can be maintained with the current aircraft fleet; however, in many cases the extent of the air support must be limited due to avionic and aircraft limitations.

Savings of $425,000 in investigative equipment purchases in FY 1982 could be achieved through the elimination of all purchases of video surveillance systems, Title III and pen register equipment, intelligence (Kel) kits, 35mm camera systems, optical devices (such as night viewing devices and binoculars), and HF/SSB radios. (The video surveillance and Title III and pen registers are planned for issuance to domestic DEA offices to meet the ever increasing requirement for these devices to assist in major investigations. The remainder of the equipment is intended to replace obsolete and non-repairable equipment throughout DEA.)

Investigative equipment and assistance would continue to be provided on a priority basis in support of DEA investigations. Because of the lack of replacement equipment, the failure rate and down-time of equipment may increase.

A $455,000 reduction in radio equipment funds in FY 1982 would bar all but the most critical radio equipment purchases in this fiscal year.

Plans to replace tube-type radio with solid-state models and to acquire repeater and satellite systems will be deferred.

The deferral of the purchase of voice privacy equipment would save $2,000,000. FY 1982 was expected to be the beginning year of the conversion of DEA's radio system from "clear" text to "encoded" text transmission.

DEA radio transmissions would remain vulnerable to interception, creating a potential loss of intelligence and the possible compromise of investigations which could increase the danger to Special Agents.

Payroll savings of $173,000 could be achieved through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($85,000) would result in a limitation on oversight of program operations and on investigative support activities.

	1982 March Budget Request		Revised 1982 Budget		Reduction	
	FTE	Amount	FTE	Amount	FTE	Amount
5. Program Direction:						
Executive direction and control program.......	261	$10,846	253	$10,471	-8	-$375
Administrative services program...............	112	5,761	104	5,128	-8	-633
	373	16,607	357	15,599	16	1,008

Executive Direction and Control program..........	261	10,846	253	10,471	-8	-375

Payroll savings of $271,000, (8 FTE) could be achieved in this program element through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($104,000) would result in a limitation on oversight of program operations.

Administrative Services....	112	5,761	104	5,128	-8	-633

It is possible to reduce nine positions ($160,000) and operating funding ($255,000) for Headquarters-based training and employee development programs such as executive development, the clerical, technical and professional (CTAP) program, the upward mobility program, and self-study centers.

Payroll savings of $96,000, (3 FTE) could be achieved through the imposition of a two-week furlough of all employees of DEA.

A 25% reduction in travel ($122,000) would result in a limitation on oversight of program operations and on investigative support activities.

PREPARED STATEMENT OF JAY ETHINGTON, ASSISTANT UNITED STATES ATTORNEY

My name is Jay Ethington and I have been an Assistant U. S. Attorney for the Northern District of Texas for 6 years and a prosecutor for the last 10 years; and have prosecuted approximately 100 major narcotic traffickers.

These included the first continuing criminal enterprise statute violation in the United States and have also utilized the RICO statute in the narcotics enforcement area. Wherever possible I avoid utilization of any Internal Revenue Service help or participation in any of my narcotics cases.

I have been asked to testify this morning about a major trafficking offshore banking case I was involved in last year. That case, entitled: The United States v. Raymond Enstam, Harold Oldham, and others, is unique because of the outstanding and unusual contribution of the Internal Revenue Service. IRS investigators have told me that the Oldham-Enstim case is truly extraordinary in their law enforcement efforts and in their collective estimation there will never be another one like it under the present laws. Of course these are my own personal observations and is not the official position of the Department of Justice. My impressions and opinions are based on my experiences over the last several years.

I have been asked to relate briefly the basic facts of the the United States v. Oldham, Enstam case. This cocaine money laundering investigation began in a typical fashion with informant information related to a DEA agent who began working undercover to develop evidence which might lead to indictments and convictions. When DEA agents in California realized that the group of individuals they were scrutinizing were significant they began to very quickly see that significant illicit income was being generated from the cocaine trafficking. The subjects displayed considerable sophistication in their efforts to launder or legitimize their narcotics income.

Cocaine distributor Harold Oldham described to the agents his method of laundering money by use of a Cayman Island bank, fictitious corporations, and a Cayman Island loan company. The DEA agents contacted the Internal Revenue Service to solicit its assistance on financial aspects of the case. Only because of the cooperative attitude and personalities of the individual agents was the investigation successful. The individual agents were able to overcome the Internal Revenue Service barricades, regulations, pitfalls and requirements of a joint investigation.

Undercover DEA agents using IRS monies and posing as successful cocaine traffickers expressed a desire to launder money through the Cayman Islands. They convinced Harold Oldham they were worthy of being shown the ropes of laundering money through the Cayman banks.

Armed with $50,000 of taxpayer's money supplied by the Internal Revenue Service, the DEA agents traveled in an undercover capacity to the Cayman Islands where they went through the procedures of laundering funds and returning it to the United States in a washed or legitimized form. This was done through the use of fictitious correspondence and other phony documentation that would be used to mislead and deceive the Internal Revenue Service if inquiry was ever made.

Because the true records reflecting the actual happenings of the transaction were in the Cayman Islands and outside the jurisdiction of the courts, no subpoena would ever be enforced in that country and complete safety and security was insured.

The problems that were encountered in the investigation and prosecution of this case are several. It still amazes me in reflection that we were able to successfully complete the investigative and prosecutive effort. The biggest hurdle that needed to be overcome was the IRS disclosure restrictions. Actually they were never overcome, the close cooperation of the agents possibly allowed for a little rule bending that helped in the investigation. The Internal Revenue Service agents had several restraints placed on them other than disclosure or free exchange of information. They were not allowed to participate fully in the investigation and could only do certain things and allowed the most important effort to be conducted or performed by the DEA agents.

On the other hand, the Drug Enforcement Administration restricted their agents in that they were unable to supply sufficient funding for this project and that's why Internal Revenue Service was able to be of some assistance.

We now know that tremendous amounts of cash are being handled by narcotic traffickers and being laundered through the Cayman Island and other tax haven banking systems and government investigators and prosecutors, including myself, remain ineffective in combating this flow of illicit funds.

I understand from knowledgeable IRS sources that the Internal Revenue Service expects that no other cases like this will be prosecuted until some changes in their regulations and laws take place. I heard that as recently as last week.

According to Internal Revenue Service reports, approximately $20 million a week in cash or currency is being laundered in a manner similar to this case. The concepts are very simple. The mechanics are as elaborate as the trafficker desires. Anyone in the United States can answer a want-ad in the newspaper and begin laundering their illicit income or skimmed-off profits. The problems of discovering and prosecuting this type of activity are very complex, cumbersome and frequently overwhelming. The Internal Revenue Service acknowledges that the only method of investigating this type of activity is through an undercover operative or informant and that its audit people would not have been able to uncover the criminal activity.

From my experiences, it is my opinion that the efforts to investigate and prosecute participation in the underground narcotic economy we have in this country has been stymied. I see no real hope on the horizon until some new tools of investigation and prosecution are given to us.

PREPARED STATEMENT OF DAVID J. McKEON, NARCOTIC AND DANGEROUS DRUG SECTION, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE

Mr. Chairman and members of the Subcommittee:

Thank you for the opportunity to appear before you today to testify on behalf of the Department of Justice regarding our efforts in financial flow investigations.

At the present time the Criminal Division of the Department is staffing three field operations with attorneys from the Narcotic and Dangerous Drug Section. These field operations are primarily organized to conduct investigations into the currency law violations and financial dealings of drug traffickers and money launderers. The first operation, "Operation Greenback I," was located in Miami and began in May 1980 with an assignment of two trial attorneys from the Narcotic Section. In the summer of 1980 one Greenback attorney was reassigned to a suboffice of Greenback I located in Tampa to pursue a grand jury investigation of a marihuana smuggling organization and to work in conjunction with the United States Attorney's Office for the Middle District of Florida to advance financial investigations in that office. Our most recent endeavor, "Operation Greenback II (Chicago) commenced with the assignment of a trial attorney to the Northern District of Illinois to work in conjunction with the United States Attorney's Office in that district as well as with United States Attorneys' offices in surrounding districts to enhance the techniques of financial investigations in the Midwest.

I. Commencement of Operation Greenback

In the spring of 1980 officials of the Treasury Department met with officials of the Department of Justice to discuss a proposed project whereby certain investigative and prosecutive resources of the respective Departments would be brought to bear against the financial operations of major drug trafficking organizations and their associates operating in the Southern District of Florida. At that time a recently completed study of currency transactions at Federal Reserve Banks throughout the United States had dramatically demonstrated that, whereas the majority of Federal Reserve Banks had found it necessary to add hundreds of millions of dollars to the total currency in circulation in their regions, the Federal Reserve Bank in Florida had surpluses of currency deposits.

With most of the marihuana and cocaine entering the United States being brought through Florida, it was readily apparent that much of the currency surplus which was pouring into the Federal Reserve Bank in Florida was attributable to the financial activities of major drug trafficking organizations either directly or through money laundering organizations. In March of 1980 I prepared a memorandum for the then Assistant Attorney General of the Criminal Division recommending a joint project with the investigative agencies of the Department of the Treasury and the investigative agencies of the Department of Justice, i.e., the Drug Enforcement Administration and the Federal Bureau of Investigation, which would would have on-site participation by attorneys from the Criminal Division and the Tax Division

In May of 1980 two staff attorneys from the Narcotic and Dangerous Drug Section went to Miami representing the Criminal Division's commitment to the project. At that time the Operation Greenback Task Force was composed of investigators from the Internal Revenue Service and the United States Customs Service, with liaison with the Bureau of Alcohol, Tobacco and Firearms, the Federal Bureau of Investigation, and the Drug Enforcement Administration. An attorney from the Criminal Section of the Tax Division provided support by reviewing all prospective cases involving Title 26, United States Code tax violations. As stated in the original proposal, the participation of the Department would be on-site and operational and would be for the purpose of securing two main objectives. The first objective was to work operationally with both Assistant United States Attorneys and Tax Division attorneys in the Southern District of Florida to develop cases using Title 31 (Bank Secrecy Act), Title 26 (Tax violations), Title 21 (Drug violations), and Title 18 (Racketeering violations) as well as to seek both criminal and civil forfeitures as provided for under those titles. Our second objective was to take the investigative and prosecutive techniques learned in Greenback I and pass them on to other districts by both operational on-site participation and also through seminars and other information exchange programs.

II. Bank Secrecy Act

The Bank Secrecy Act, which became law in 1970, has been the primary statute utilized by the Operation Greenback Task Force. The reporting requirements under the Act provide two main benefits to our efforts. One, it provides intelligence information which tends to highlight persons involved in other criminal violations, and two, it contains criminal sanctions to deter unlawful activity.

The two reports which have provided most of the underlying foundation for the financial flow investigation technique are as follows:

1. Form 4789 -- Currency Transaction Report

A. Definitions

Title 31, U.S. Code, §1081 (as effectuated by 31 CFR 103.22) requires that bank reports of domestic currency transactions in excess of $10,000 be filed with the Internal Revenue Service on Form 4789. The law does not require reporting of transactions between banks, transactions between a bank and a regular customer who qualifies for inclusion on an "exemption list," nor transfers that do not involve the actual physical transfer of currency. The form is to be filed by the banks or financial institutions that exchange currency.

B. Criminal Violations

Title 31, U.S. Code, §1058 provides for a fine of up to $1,000, or up to one year imprisonment or both, for a willful violation of the reporting requirement. Greenback has sought to identify both money couriers and corrupt bank officials through undercover operations, surveillance, and traditional grand jury investigation to determine the existence of unreported currency transactions of over $10,000, or a series of transactions, each under $10,000 but aggregating to over $10,000, being utilized solely to subvert the intentions of the reporting requirement.

Title 31, U.S. Code, §1059 provides for a fine of not more than $500,000 and/or, five years imprisonment for a willful violation if it is committed in furtherance of any other federal violation or as part of a pattern of illegal activity involving over $100,000 worth of transactions in a twelve month period.

2. 4790 Form -- Currency and Monetary Instruments Report

A. Definitions

Title 31, U.S. Code §1101 (as effectuated by 31 CFR 103.23) requires that reports dealing with the transportation of currency or other monetary instruments into or out of the United States in excess of $5,000 be filed with the U.S. Customs Service. This form does not relate to wire transfers. It is to be filed by the individual upon entering or leaving the country.

B. Criminal Violation

Title 31, U.S. Code §1058 contains a penalty of up to $1,000 fine and/or one year imprisonment for failure to file the 4790 form. The reporting statute requires the actual physical transportation of currency or a bearer instrument in excess of $5,000 across the United States border. When travelers enter the United States they are given the form which notifies them of the reporting requirement.

Greenback is also employing traditional techniques of investigation, such as surveillance, border checks, and informants, to detect violations of this part of the Bank Secrecy Act.

Title 31, U.S. Code §1059 sets forth the felony provisions for 4790 violations, which are the same as for the previosuly described 4789 violations.

III. Present Staffing

A. Operation Greenback I (Miami)

Attorneys

At the present time there are four Criminal Division attorneys assigned from the Narcotic and Dangerous Drug Section presently on-site in the Miami Greenback field office working under the auspices of the United States Attorney and located in that office. The attorney staff consists of an attorney in charge and three attorneys, the third having arrived on November 16th. In addition, the Treasury Department had agreed in the spring of 1981 to provide two attorneys to the Task Force to be specially designated as Criminal Division attorneys. One of those attorneys recently resigned, and is going to be replaced shortly; the other is on the Task Force. Additionally, the Tax Division Criminal Section has provided one attorney who is presently involved in the preparation of a Title 26 tax case for prosecution in the Southern District of Florida. Accordingly we anticipate a minimum of six full time attorneys assigned to the main project as well as one attorney working on an "as needed" basis for the exclusive prosecution of tax cases which arise out of the project.

Special Agents

At the present time the Internal Revenue Service has provided twenty-six special agents and seven revenue agents to work on the project. There are ten U.S. Customs Service special agents and ten special agents of the Drug Enforcement Administration. Liaision is maintained with the FBI, Secret Service, and the Bureau of Alcohol, Tobacco and Firearms.

B. Operation Greenback I (Tampa)

Attorneys

The Criminal Division (Narcotic and Dangerous Drug Section) has provided one attorney to work in conjunction with the Office of the United States Attorney in the Middle District of Florida. This attorney was responsible for the early coordination of an investigation into what had been termed the Walker marihuana and cocaine importation and currency exportation case. The primary subject in this investigation was murdered in April, 1981, his body was found in a swamp with a garrote around the neck. This is one more example of the violence which is associated with the drug trafficking business. Various associates of this subject have been indicted and twelve of those were convicted on Title 21 drug violations, Title 31 Bank Secrecy Act violations, and charges of conspiracy and crossing state lines in aid of racketeering under Title 18.

Special Agents

Agent support has been provided by the IRS, U.S. Customs, DEA, and the FBI.

C. Operation Greenback II (Chicago)

In October of this year one of the attorneys who had gone to Miami in 1980 to initiate Operation Greenback I was reassigned to Chicago, Illinois, to work under the auspices of the United States Attorney for the Northern District of Illinois and in conjunction with several Assistant United States Attorneys in that office. At the present time a task force is being developed which will be supported by special agents and revenue agents from the Internal Revenue Service as well as special agents of the U.S. Customs Service, Drug Enforcement Administration, and Federal Bureau of Investigation. Our attorney is prepared to work with the United States Attorney and his Assistants in the development of the financial aspects of major drug trafficking cases. Due to the stage of Greenback II's development, no indictments have yet been returned, but it is anticipated that this project will be successful in discovering and prosecuting violations of Title 31, Title 21, Title 26, and Title 18. It is also anticipated that significant forfeitures will result from our efforts.

On a regional scope, this attorney will also provide support to other United States Attorneys in the Midwest so that similar programs can be developed as needed.

IV. Investigative Techniques

In discussing the techniques utilized in Operation Greenback it should first be noted that Operation Greenback I (Miami) is still in a developmental stage having commenced in late spring of last year. Nevertheless, as will be noted in a later portion regarding accomplishments, a general conclusion can be drawn that it has had certain successes. Certain investigative techniques and approaches have resulted in what can be termed inroads into the financial dealings of major drug traffickers and associated money launderers. The techniques utilized and refined in Greenback are both innovative and traditional.

Greenback has had the support of the Office of the Comptroller of the Currency and its related bank examining officials, which, through the refinement of their audit procedures, have been able to uncover suspicious activity and violations of the Bank Secrecy Act. The reporting of these violations to the Treasury Department and the subsequent referral, when warranted, to the Internal Revenue Service for criminal investigation has proved an effective use of 4789 Reports. As part of the Greenback approach a joint tax-drug grand jury was instituted so that the four involved titles of the United States Code (18, 21, 26, 31) could be investigated as authorized. On the more traditional side, where specific accounts were identified as being the conduits for the passage of enormous amounts of currency, subsequent traditional physical surveillance has resulted in the identification of couriers and money launderers. The joint grand jury approach has provided the investigators and prosecutors with the ability to immunize underlings and also the coextensive ability to compel testimony under a grant of use immunity. These are some of the types of investigative techniques which are presently being used in the operation.

V. Achievements

A. Operational

Because most of Greenback's indictments are in a process of litigation I am precluded from discussing the evidence or facts of any particular case. However, it can be said generally that in the Southern and Middle Districts of Florida the Greenback Task Force has presented evidence to grand juries which returned true bills of indictment in fourteen instances against some fifty-plus individuals. Approximately twenty million dollars in cash has been seized by Greenback agents during the course of the Operation. In addition, Bank Secrecy Act regulations regarding exemption lists and reporting times have been strengthened. Numerous banks have sought out the Office of the Comptroller of the Currency and have signed agreements both acknowledging their responsibility under the act and committing themselves to strict adherence to all of the provisions. The filing of 4789 forms (cash transactions reports) has increased approximately 400 percent since the inception of Greenback I Prosecutions have resulted in the convictions of various defendants for violations of Title 21 (Drug violations), Title 31 (Bank Secrecy Act violations), and Title 18 (Conspiracy and interstate travel in aid of racketeering).

B. Information Sharing

As to the second objective of the initial plan, we have been able to establish a second field office in the Middle District of Florida and most recently a third office in the Northern District of Illinois. Both the Greenback attorneys and agents have given lectures on investigative techniques and the law to Assistant United States Attorneys and investigators in Miami, Florida; San Antonio and Austin, Texas; as well as in Chicago, Illinois. One of our attorneys has also participated in the production of a videotape prepared by the Internal Revenue Service on the Bank Secrecy Act which will be shared with the Department of Justice for training purposes. Finally, we anticipate having a major seminar on the prosecution of major drug trafficker organizations which will include the financial investigative-prosecutive techniques developed through our Greenback project. This seminar is planned for early 1982.

VI. Conclusion

Operation Greenback, although still a relatively new program, has demonstrated that it is operationally successful and worthy of duplication in other jurisdictions. Perhaps the most significant lesson it teaches is that the most effective way to make inroads into the multi-billion dollar business of major drug trafficking organizations is through the mutual efforts of all federal law enforcement agencies.

PREPARED STATEMENT OF S. CASS WEILAND, CHIEF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. Chairman and Members of the Subcommittee:

During our visit to narcotics source countries in September we paid a short visit to the British Colony of the Cayman Islands in an attempt to gain some insight into offshore banking, as Grand Cayman Island is the alleged deposit location for huge amounts of narcotics profits, as well as other illegal profits and legitimate funds. The Caymanians freely refer to themselves as a "tax haven" and continually stress the distinction between tax avoidance and tax evasion.

Most of our time was spent with the Honorable Dennis Foster, Chief Secretary of the Cayman Islands and the individual in charge of the day-to-day operations of the country. We also met with Vassal Johnson, Cayman's Financial Secretary; Chris Ball, the Banking Supervisor; and Jim Stowers, the Commissioner of Police.

It should be noted that Cayman is not the only offshore banking center used by traffickers and others, but it is becoming increasingly well known. During this hearing as well as previous PSI hearings (e.g., Home Health Care; May, 1981), testimony has been received concerning Caymans banks and the concealment and laundering of money. The Caymanian Police Commissioner told us that he believes an enormous amount of illegal money is coming into Cayman, and that it is mostly drug money. He added that major traffickers may avoid Cayman but mid-level traffickers probably bank there.

As Justice Department prosecutor Dave McKeon can testify, offshore banks present a serious problem for U.S. law enforcment agencies. Once money is deposited in an offshore account it is very difficult if not impossible to trace it any further, and many criminal financial investigations are thwarted in this fashion. This is due to a strict Bank Secrecy Act which is currently in effect in Cayman. This law makes it a crime for any individual to divulge, attempt to divulge, or willfully attempt to obtain "confidential information with respect to business of a professional nature" arising in Cayman. This law applies on or off the islands and to both banking and other professions. It does contain exceptions for Caymanian law enforcement personnel and the Caymanian financial secretary. The penalty for violation is two years imprisonment and a $5000 fine. In some instances the end effect of this law in the U.S. is that prosecutions are lost, individual and corporate tax liability is avoided, and economic distortions are created by the return and use of laundered money.

The basic message delivered by Caymanian executive branch officials is that the practice of licensing banks and registering companies is extremely beneficial for their country. Indeed, initial and annual licensing fees account for approximately 20% of the colony's budget. Of course, there are also less direct economic benefits to be realized. Cayman is now beginning to license offshore insurance companies. Cayman receives no U.S. foreign assistance. We received absolutely no indication of a willingness to alter banking secrecy laws in any way which would tend to diminish the Cayman Islands as an excellent repository of currency.

Vassal Johnson told a story wherein the Federal Reserve System tried, several years ago, to audit a United States branch bank located in Cayman. Cayman said no, so the the United States went to Great Britain and the British put pressure on Cayman but Cayman still resisted. Mr. Johnson said this perturbed United States officials but that was not a Caymanian concern. We were told that Cayman would have absolutely nothing to do with any sort of central banking authority for the Caribbean, an idea which has been proposed for the past several years.

Corporations licensed in Cayman are used as fronts for a variety of illegal operations. These companies are also used as fronts for the licensing of private banks. The Cayman Islands maintain no oversight over these corporations once they are formed, and approximately 13,500 currently exist in Cayman. For a slightly greater licensing fee an "exempt" company can be formed in which no names of shareholders must be disclosed. Only the registered agent must file with Cayman.

It appeared from our discussion with Banking Superintendent Ball that careful scrutiny is given to applications to form banks, particularly the larger, multi-national "Type A" banks. These are similar to "full service" commercial banks in the U.S. and approximately 30 are currently licensed to do business. "Type B" banks, often referred to as brass plate banks, are only allowed to conduct offshore business; hence, their attraction to foreign individuals, particularly if they are unaffiliated with a U.S. bank. Approximately 300 "Type B" banks have been licensed. We asked how Cayman monitors its banks once they are established; for instance what happens when a businessman walks into a bank with a suitcase full of U.S. currency? The Caymanian officials told us the banks will inquire where the money comes from since they do not wish to be associated with any dirty money, but the officials could not tell us exactly how they know this is done and what the mechanics are. The banks have no requirement to report specific transactions to Cayman regardless of their magnitude or nature. General annual reports on assets, etc., are all that is required. So in reality the government has no knowledge of bank transactions, nor do they seem to care. Other individuals have told the Subcommittee that Caymanian banks accept any and all money without inquiry.

The bank secrecy law does have a loophole which has been taken advantage of recently. This loophole allows U.S. (or other) law enforcement officials to get Cayman bank records if they are implicated in a crime which would be an offense both in the United States and in Cayman. While this does include narcotics offenses it does not include tax offenses nor currency offenses. (Cayman has exceedingly strict narcotics possession laws and their criminal justice system normally acts swiftly and with finality.) The Caymanians do not pay any income taxes so tax evasion on Cayman is impossible. (There are import duties and land transaction fees.) Further, the existence of a criminal indictment or a situation very close to an indictment is needed before a request can be made for the bank records, meaning their basic value lies not in investigating a case but in trial preparation. The procedure for requesting Caymanian bank records begins with Police Commissioner Stowers and winds its way up through the government structure for final approval. Commissioner Stowers told us that a new unit has been set up in the police department to process these sort of requests, since they are being received with greater frequency. While this is a hopeful development, its utility remains limited.

In summary, the Cayman Islands provide an outstanding opportunity for individuals seeking to launder or otherwise hide illegal profits. They are readily accessible by commercial and private airlines from the U.S., provide all modern amenities, feature English as the national language, assure a politically stable governmental environment, and maintain strict bank secrecy requirements.

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